

HOUSE BILL No. 1994

DIGEST OF INTRODUCED BILL

Citations Affected: IC 2-2.1-4; IC 4-4-8-9; IC 6; IC 20; IC 21; IC 32-9-1.5-16; IC 36.

Synopsis: Education finance. Eliminates the authority of a school corporation to impose a general fund property tax levy for the general operation and maintenance of the school corporation. Eliminates the authority of a school corporation to impose a transportation fund property tax levy. Requires a school corporation to impose a local income tax for education of not more than 1.6%. Limits increases in state expenditures to the lesser of: (1) the increase in inflation and population; or (2) 4%. Limits annual increases in appropriations of political subdivisions, including school corporations, to the lesser of 4% or the percentage changes in population and inflation. Provides a state tuition support formula equal to the difference between: (1) the
(Continued next page)

Effective: Upon passage; July 1, 1998 (retroactive); May 1, 1999; July 1, 1999; January 1, 2000; July 1, 2000; March 1, 2001.

Buck

January 27, 1999, read first time and referred to Committee on Ways and Means.



C
o
p
y

school corporation's ADM multiplied by \$5,000; and (2) the amount that the school corporation can raise from a local income tax on education of 1.6% and from certain other revenue sources. Establishes the state school reserve fund and appropriates \$150,000,000 to the fund from the state general fund. Terminates the authority of: (1) Lake County to impose a property tax for a county supplemental school distribution fund; (2) Dearborn County to impose a property tax for a county school distribution fund; and (3) a school corporation in Lake County to impose a property tax for a supplemental school operating reserve fund. Continues the authority of a school corporation to impose a property tax levy for certain public libraries, nursery schools, historical societies, art associations, cultural institutions, public playgrounds, and the Children's Museum in Marion County. Provides a method for calculating the amount of financial institution taxes and excise taxes to be distributed to school corporations after the elimination of the school general fund property tax. Recodifies provisions of current law concerning emergency loans to school corporations and the duty of a school corporation to raise sufficient property tax revenues to repay outstanding bonds and other debt payable from the transportation fund, capital projects fund, or debt service fund.

C
o
p
y



Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 1994

A BILL FOR AN ACT to amend the Indiana Code concerning education finance and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 2-2.1-4 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 1999]:
4 **Chapter 4. State Expenditure Limits**
5 **Sec. 1. As used in this chapter, "fiscal year spending" means all**
6 **state governmental expenditures and reserve increases in a state**
7 **fiscal year, except the following:**
8 (1) **Refunds made in the current or next state fiscal year.**
9 (2) **Gifts.**
10 (3) **Federal funds.**
11 (4) **Collections for another government.**
12 (5) **Pension contributions by employees and pension fund**
13 **earnings.**
14 (6) **Reserve transfers or expenditures.**
15 (7) **Damage awards.**



1 **(8) Property sales.**

2 **Sec. 2.** As used in this chapter, "inflation" means the percentage
3 change in the United States Bureau of Labor Statistics Consumer
4 Price Index for Indiana, all items, all urban consumers, or its
5 successor index.

6 **Sec. 3.** As used in this chapter, "maximum annual percentage
7 change in fiscal year spending" means the lesser of:

8 **(1) the sum of:**

9 **(A) inflation; plus**

10 **(B) the percentage change in Indiana population;**
11 in the calendar year preceding the calendar year in which a
12 state fiscal year begins; or

13 **(2) four percent (4%);**

14 as adjusted for expenditure changes approved by voters after June
15 30, 2000, under section 6 of this chapter.

16 **Sec. 4.** As used in this chapter, "state fiscal year" means the
17 twelve (12) month period beginning on July 1 in a calendar year.

18 **Sec. 5.** The state may increase fiscal year spending in a state
19 fiscal year more than the maximum annual percentage change in
20 fiscal year spending applicable to that state fiscal year only to the
21 extent that the additional spending is approved under section 6 or
22 7 of this chapter.

23 **Sec. 6.** If revenue from sources not excluded from fiscal year
24 spending exceeds the spending limit imposed under this chapter for
25 that state fiscal year, the excess shall be refunded in the next state
26 fiscal year except as to an amount that a majority of the voters
27 voting in a general election agree to apply toward an increase in
28 allowable spending under this chapter.

29 **Sec. 7.** The general assembly by joint resolution adopted by
30 two-thirds (2/3) of the members of the senate and two-thirds (2/3)
31 of the members of the house of representatives before the
32 beginning of a state fiscal year may authorize fiscal year spending
33 that exceeds the spending limits imposed by this chapter for that
34 state fiscal year. Each joint resolution adopted under this section
35 may apply to not more than one (1) state fiscal year.

36 **Sec. 8.** This chapter may be enforced in a private individual or
37 class action suit. Successful plaintiffs are allowed costs and
38 reasonable attorney's fees. The state may recover costs and
39 reasonable attorney's fees only if a suit against it is ruled frivolous.
40 Revenue collected, kept, or spent in violation of this chapter for the
41 four (4) state fiscal years preceding the date that the suit is filed
42 shall be refunded with ten percent (10%) annual simple interest



commencing for each state fiscal year on the date the state exceeds the spending limitation imposed for that state fiscal year under this chapter.

Sec. 9. Subject to judicial review, the state may use any reasonable method for refunds under section 6 or 8 of this chapter, including temporary tax credits or rate reductions. Refunds need not be proportional when prior payments are impractical to identify or return.

SECTION 2. IC 4-4-8-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9. Any qualified entity receiving a loan under this chapter may levy an annual tax on personal and real property located within its geographical limits for industrial development purposes, in addition to any other tax authorized by statute to be levied for such purposes, at such rate as will produce sufficient revenue to pay the annual installment and interest on any loan made under this chapter. Such a tax may be in addition to the maximum annual rates prescribed by IC 6-1.1-18, IC 6-1.1-18.5, ~~IC 6-1.1-19~~, and other statutes.

SECTION 3. IC 6-1.1-1-8.3 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: **Sec. 8.3. For purposes of IC 6-1.1-19, "general fund" means the fund that the governing body of a school corporation is required to establish by IC 21-2-11-2.**

SECTION 4. IC 6-1.1-1-16.5 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: **Sec. 16.5. For purposes of IC 6-1.1-19, "school year" means the period from July 1 of each year until June 30 of the following year.**

SECTION 5. IC 6-1.1-1-19.5 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: **Sec. 19.5. For purposes of IC 6-1.1-19, "tax control board" means the school property tax control board established by IC 6-1.1-19-4.1.**

SECTION 6. IC 6-1.1-17-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: **Sec. 1.5. (a) This section applies to a budget governing an expenditure from a school corporation's general fund or transportation fund after December 31, 1999.**

(b) A budget for a school corporation's general fund or transportation fund is subject to the same budget and review procedures under this chapter as a fund for which a property tax is levied.



SECTION 7. IC 6-1.1-17-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 3. (a) The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the state board of tax commissioners and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:

- (1) the estimated budget;
- (2) the estimated maximum permissible levy;
- (3) the current and proposed tax levies of each fund; ~~and~~
- (4) the amounts of excessive levy appeals to be requested; **and**
- (5) the current and proposed amount of revenue to be distributed by the state during the budget year to the general fund and transportation fund of a school corporation.**

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing.

(b) The trustee of each township of the county shall:

- (1) estimate the amount necessary to meet the cost of poor relief in the township for the ensuing calendar year; and
- (2) publish with the township budget a tax rate sufficient to meet the estimated cost of poor relief.

The taxes collected as a result of this rate shall be credited to the county poor fund.

(c) The board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal) may conduct the public hearing required under subsection (a):

- (1) in any county of the solid waste management district; and
- (2) in accordance with the annual notice of meetings published under IC 13-21-5-2.

SECTION 8. IC 6-1.1-17-5.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 5.1. (a) As used in this section, "school corporation" has the meaning set forth in IC 20-10.1-1-1.

(b) Before February 1 of each year, the officers of a school corporation shall meet to fix the budget for the school corporation for the ensuing budget year, with notice given by the same officers.

(c) Not later than two (2) days after a school corporation fixes a budget under subsection (b), the officers of the school corporation shall file the budget adopted by the school corporation for the ensuing



1 budget year with the state board of tax commissioners.

2 (d) Each year at least two (2) days before the first meeting of the
3 county board of tax adjustment held under IC 6-1.1-29-4, a school
4 corporation shall file with the county auditor:

5 (1) a statement of the tax rate and tax levy fixed by the school
6 corporation for the ensuing budget year;

7 **(2) the proposed amount of revenue to be distributed by the**
8 **state during the budget year to the general fund and**
9 **transportation fund of a school corporation;**

10 ~~(2) (3)~~ two (2) copies of the budget adopted by the school
11 corporation for the ensuing budget year; and

12 ~~(3) (4)~~ any written notification from the state board of tax
13 commissioners under section 16(i) of this chapter that specifies a
14 proposed revision, reduction, or increase in the budget adopted by
15 the school corporation for the ensuing budget year.

16 Each year the county auditor shall present these items to the county
17 board of tax adjustment at the board's first meeting.

18 (e) In a consolidated city, a county containing a consolidated city,
19 and a second class city, the clerk of the fiscal body shall,
20 notwithstanding subsection (d), file the adopted budget and tax
21 ordinances with the county board of tax adjustment not later than two
22 (2) days after the ordinances are signed by the executive or not later
23 than two (2) days after action is taken by the fiscal body to override a
24 veto of the ordinances, whichever is later.

25 SECTION 9. IC 6-1.1-17-8 IS AMENDED TO READ AS
26 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 8. (a) If the
27 county board of tax adjustment determines that the maximum aggregate
28 tax rate permitted within a political subdivision under ~~IC 1971,~~
29 ~~6-1.1-18~~ **IC 6-1.1-18** is inadequate, the county board shall ~~subject to~~
30 ~~the limitations prescribed in IC 1971, 6-1.1-19-2~~ file its written
31 recommendations in duplicate with the county auditor. The board shall
32 include with its recommendations:

33 (1) an analysis of the aggregate tax rate within the political
34 subdivision;

35 (2) a recommended breakdown of the aggregate tax rate among
36 the political subdivisions whose tax rates compose the aggregate
37 tax rate within the political subdivision; and

38 (3) any other information which the county board considers
39 relevant to the matter.

40 (b) The county auditor shall forward one (1) copy of the county
41 board's recommendations to the state board of tax commissioners and
42 shall retain the other copy in his office. The state board of tax

C
O
P
Y



commissioners shall, in the manner prescribed in section 16 of this chapter, review the budgets, tax rates, and tax levies of the political subdivisions described in subsection (a)(2) of this section.

SECTION 10. IC 6-1.1-17-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 10. (a) When the aggregate tax rate within a political subdivision, as approved or modified by the county board of tax adjustment, exceeds the maximum aggregate tax rate prescribed in IC 1971, 6-1.1-18-3(a), the county auditor shall certify the budgets, tax rates, and tax levies of the political subdivisions whose tax rates compose the aggregate tax rate within the political subdivision, as approved or modified by the county board, to the state board of tax commissioners for final review. For purposes of this section, the maximum aggregate tax rate limit exceptions provided in ~~IC 1971, 6-1.1-18-3(b)~~ **IC 6-1.1-18-3(b)** do not apply.

(b) The county auditor shall certify the general fund budgets and transportation fund budgets of each school corporation, as modified by the county board of tax adjustment, to the state board of tax commissioners for final review.

SECTION 11. IC 6-1.1-17-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 13. Ten (10) or more taxpayers may initiate an appeal from the county board of tax adjustment's action on a political subdivision's budget by filing a statement of their objections with the county auditor. The statement must be filed within ten (10) days after the publication of the notice required by section 12 of this chapter. The statement shall specifically identify the provisions of the budget and, **for funds for which a property tax is imposed, the** tax levy to which the taxpayers object. The county auditor shall forward the statement, with the budget, to the state board of tax commissioners.

SECTION 12. IC 6-1.1-17-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 15. (a) A political subdivision may appeal to the state board of tax commissioners for an increase in:

(1) its tax rate or tax levy; or

(2) if the political subdivision is a school corporation, its general fund or transportation fund budget;

as fixed by the county board of tax adjustment or the county auditor.

(b) To initiate the an appeal under this section, the political subdivision must file a statement with the board within ten (10) days after publication of the notice required by section 12 of this chapter. The legislative body of the political subdivision must authorize the filing of the statement by adopting a resolution.



(c) The resolution **under subsection (b)** must be attached to the statement of objections, and the statement must be signed by the following officers:

(1) In the case of counties, by the board of county commissioners and by the president of the county council.

(2) In the case of all other political subdivisions, by the highest executive officer and by the presiding officer of the legislative body.

SECTION 13. IC 6-1.1-17-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 16. (a) Subject to the limitations and requirements prescribed in this section, the state board of tax commissioners may revise, reduce, or increase a political subdivision's budget, tax rate, or tax levy which the board reviews under section 8 or 10 of this chapter.

(b) Subject to the limitations and requirements prescribed in this section, the state board of tax commissioners may review, revise, reduce, or increase the budget, tax rate, or tax levy of any of the political subdivisions whose tax rates compose the aggregate tax rate within a political subdivision whose budget, tax rate, or tax levy is the subject of an appeal initiated under this chapter.

(c) Except as provided in subsection (i), before the state board of tax commissioners reviews, revises, reduces, or increases a political subdivision's budget, tax rate, or tax levy under this section, the board must hold a public hearing on the budget, tax rate, and tax levy. The board shall hold the hearing in the county in which the political subdivision is located. The board may consider the budgets, tax rates, and tax levies of several political subdivisions at the same public hearing. At least five (5) days before the date fixed for a public hearing, the board shall give notice of the time and place of the hearing and of the budgets, levies, and tax rates to be considered at the hearing. The board shall publish the notice in two (2) newspapers of general circulation published in the county. However, if only one (1) newspaper of general circulation is published in the county, the board shall publish the notice in that newspaper.

(d) Except as provided in subsection (h) ~~IC 6-1.1-19~~, or IC 6-1.1-18.5, the state board of tax commissioners may not increase a political subdivision's budget, tax rate, or tax levy to an amount which exceeds the amount originally fixed by the political subdivision. The state board of tax commissioners shall give the political subdivision written notification specifying any revision, reduction, or increase the state board of tax commissioners proposes in a political subdivision's tax levy or tax rate. The political subdivision has one (1) week from the



1 date the political subdivision receives the notice to provide a written
 2 response to the state board of tax commissioners' Indianapolis office
 3 specifying how to make the required reductions in the amount budgeted
 4 for each office or department. The state board of tax commissioners
 5 shall make reductions as specified in the political subdivision's
 6 response if the response is provided as required by this subsection and
 7 sufficiently specifies all necessary reductions. The state board of tax
 8 commissioners may make a revision, a reduction, or an increase in a
 9 political subdivision's budget only in the total amounts budgeted for
 10 each office or department within each of the major budget
 11 classifications prescribed by the state board of accounts.

12 (e) The state board of tax commissioners may not approve a levy for
 13 lease payments by a city, town, county, library, or school corporation
 14 if the lease payments are payable to a building corporation for use by
 15 the building corporation for debt service on bonds and if:

- 16 (1) no bonds of the building corporation are outstanding; or
- 17 (2) the building corporation has enough legally available funds on
- 18 hand to redeem all outstanding bonds payable from the particular
- 19 lease rental levy requested.

20 (f) The action of the state board of tax commissioners on a budget,
 21 tax rate, or tax levy is final. The board shall certify its action to:

- 22 (1) the county auditor; and
- 23 (2) the political subdivision if the state board acts pursuant to an
- 24 appeal initiated by the political subdivision.

25 (g) The state board of tax commissioners is expressly directed to
 26 complete the duties assigned to it under this section not later than
 27 February 15th of each year for taxes to be collected during that year.

28 (h) Subject to the provisions of all applicable statutes, the state
 29 board of tax commissioners may increase a political subdivision's tax
 30 levy to an amount that exceeds the amount originally fixed by the
 31 political subdivision if the increase is:

- 32 (1) requested in writing by the officers of the political
- 33 subdivision;
- 34 (2) either:
- 35 (A) based on information first obtained by the political
- 36 subdivision after the public hearing under section 3 of this
- 37 chapter; or
- 38 (B) results from an inadvertent mathematical error made in
- 39 determining the levy; and
- 40 (3) published by the political subdivision according to a notice
- 41 provided by the state board of tax commissioners.

42 (i) The state board of tax commissioners shall annually review the

C
O
P
Y



1 budget of each school corporation not later than April 1. The state
 2 board of tax commissioners shall give the school corporation written
 3 notification specifying any revision, reduction, or increase the state
 4 board of tax commissioners proposes in the school corporation's
 5 budget. A public hearing is not required in connection with this review
 6 of the budget.

7 SECTION 14. IC 6-1.1-18-3 (CURRENT VERSION) IS
 8 AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1,
 9 2000]: Sec. 3. (a) Except as provided in subsection (b), the sum of all
 10 tax rates for all political subdivisions imposed on tangible property
 11 within a political subdivision may not exceed:

- 12 (1) one dollar and twenty-five cents (\$1.25) on each one hundred
 13 dollars (\$100) of assessed valuation in territory outside the
 14 corporate limits of a city or town; or
- 15 (2) two dollars (\$2) on each one hundred dollars (\$100) of
 16 assessed valuation in territory inside the corporate limits of a city
 17 or town.

18 (b) **Subject to IC 6-1.1-19-1.9**, the proper officers of a political
 19 subdivision shall fix **property** tax rates which are sufficient to provide
 20 funds for the purposes itemized in this subsection. The portion of a tax
 21 rate fixed by a political subdivision **for a property tax levy** shall not
 22 be considered in computing the tax rate limits prescribed in subsection
 23 (a) if that portion is to be used for one (1) of the following purposes:

- 24 (1) To pay the principal or interest on a funding, refunding, or
 25 judgment funding obligation of the political subdivision.
- 26 (2) To pay the principal or interest on an outstanding obligation
 27 issued by the political subdivision if notice of the sale of the
 28 obligation was published before March 9, 1937.
- 29 (3) To pay the principal or interest upon:
 30 (A) an obligation issued by the political subdivision to meet an
 31 emergency which results from a flood, fire, pestilence, war, or
 32 any other major disaster; or
 33 (B) a note issued under IC 36-2-6-18, IC 36-3-4-22,
 34 IC 36-4-6-20, or IC 36-5-2-11 to enable a city, town, or county
 35 to acquire necessary equipment or facilities for municipal or
 36 county government.
- 37 (4) To pay the principal or interest upon an obligation issued in
 38 the manner provided in IC 6-1.1-20-3 (before its repeal) or
 39 IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2.
- 40 (5) To pay a judgment rendered against the political subdivision.
- 41 (6) To meet the requirements of the county welfare fund, the
 42 county welfare administration fund, for public welfare services,



1 or the family and children's fund for child services (as defined in
2 IC 12-19-7-1).

3 (7) To meet the requirements of the county hospital care for the
4 indigent fund.

5 (c) Except as otherwise provided in IC 6-1.1-19 or IC 6-1.1-18.5, a
6 county board of tax adjustment, a county auditor, or the state board of
7 tax commissioners may review the portion of a tax rate described in
8 subsection (b) only to determine if it exceeds the portion actually
9 needed to provide for one (1) of the purposes itemized in that
10 subsection.

11 SECTION 15. IC 6-1.1-18-3 (DELAYED VERSION) IS
12 AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1,
13 2001]: Sec. 3. (a) Except as provided in subsection (b), the sum of all
14 tax rates for all political subdivisions imposed on tangible property
15 within a political subdivision may not exceed:

16 (1) forty-one and sixty-seven hundredths cents (\$0.4167) on each
17 one hundred dollars (\$100) of assessed valuation in territory
18 outside the corporate limits of a city or town; or

19 (2) sixty-six and sixty-seven hundredths cents (\$0.6667) on each
20 one hundred dollars (\$100) of assessed valuation in territory
21 inside the corporate limits of a city or town.

22 (b) **Subject to IC 6-1.1-19-1.9**, the proper officers of a political
23 subdivision shall fix **property** tax rates which are sufficient to provide
24 funds for the purposes itemized in this subsection. The portion of a tax
25 rate fixed by a political subdivision **for a property tax levy** shall not
26 be considered in computing the tax rate limits prescribed in subsection
27 (a) if that portion is to be used for one (1) of the following purposes:

28 (1) To pay the principal or interest on a funding, refunding, or
29 judgment funding obligation of the political subdivision.

30 (2) To pay the principal or interest on an outstanding obligation
31 issued by the political subdivision if notice of the sale of the
32 obligation was published before March 9, 1937.

33 (3) To pay the principal or interest upon:

34 (A) an obligation issued by the political subdivision to meet an
35 emergency which results from a flood, fire, pestilence, war, or
36 any other major disaster; or

37 (B) a note issued under IC 36-2-6-18, IC 36-3-4-22,
38 IC 36-4-6-20, or IC 36-5-2-11 to enable a city, town, or county
39 to acquire necessary equipment or facilities for municipal or
40 county government.

41 (4) To pay the principal or interest upon an obligation issued in
42 the manner provided in IC 6-1.1-20-3 (before its repeal) or

C
o
p
y



1 IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2.

2 (5) To pay a judgment rendered against the political subdivision.

3 (6) To meet the requirements of the county welfare fund, the
4 county welfare administration fund, for public welfare services,
5 or the family and children's fund for child services (as defined in
6 IC 12-19-7-1).

7 (7) To meet the requirements of the county hospital care for the
8 indigent fund.

9 (c) Except as otherwise provided in IC 6-1.1-19 or IC 6-1.1-18.5, a
10 county board of tax adjustment, a county auditor, or the state board of
11 tax commissioners may review the portion of a tax rate described in
12 subsection (b) only to determine if it exceeds the portion actually
13 needed to provide for one (1) of the purposes itemized in that
14 subsection.

15 SECTION 16. IC 6-1.1-18-5 IS AMENDED TO READ AS
16 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 5. (a) If the proper
17 officers of a political subdivision desire to appropriate more money for
18 a particular year than the amount prescribed in the budget for that year
19 as finally determined under this article, they shall give notice of their
20 proposed additional appropriation. The notice shall state the time and
21 place at which a public hearing will be held on the proposal. The notice
22 shall be given once in accordance with IC 5-3-1-2(b).

23 (b) If the additional appropriation by the political subdivision is
24 **from the general fund or transportation fund of a school**
25 **corporation or is** made from a fund that receives:

26 (1) distributions from the motor vehicle highway account
27 established under IC 8-14-1-1 or the local road and street account
28 established under IC 8-14-2-4; or

29 (2) revenue from property taxes levied under IC 6-1.1;

30 the political subdivision must report the additional appropriation to the
31 state board of tax commissioners. If the additional appropriation is
32 made from a fund described under this subsection, subsections (f), (g),
33 (h), and (i) apply to the political subdivision.

34 (c) However, if the additional appropriation is not made from a fund
35 described under subsection (b), subsections (f), (g), (h), and (i) do not
36 apply to the political subdivision. Subsections (f), (g), (h), and (i) do
37 not apply to an additional appropriation made from the cumulative
38 bridge fund if the appropriation meets the requirements under
39 IC 8-16-3-3(c).

40 (d) A political subdivision may make an additional appropriation
41 without approval of the state board of tax commissioners if the
42 additional appropriation is made from a fund that is not described

C
O
P
Y



under subsection (b). However, the fiscal officer of the political subdivision shall report the additional appropriation to the state board of tax commissioners.

(e) After the public hearing, the proper officers of the political subdivision shall file a certified copy of their final proposal and any other relevant information to the state board of tax commissioners.

(f) When the state board of tax commissioners receives a certified copy of a proposal for an additional appropriation under subsection (e), the board shall determine whether sufficient funds are available or will be available for the proposal. The determination shall be made in writing and sent to the political subdivision not more than fifteen (15) days after the board receives the proposal.

(g) In making the determination under subsection (f), the board shall limit the amount of the additional appropriation to revenues available, or to be made available, which have not been previously appropriated.

(h) If the state board of tax commissioners disapproves an additional appropriation under subsection (f), the state board of tax commissioners shall specify the reason for its disapproval on the determination sent to the political subdivision.

(i) A political subdivision may request a reconsideration of a determination of the state board of tax commissioners under this section by filing a written request for reconsideration. A request for reconsideration must:

- (1) be filed with the state board of tax commissioners within fifteen (15) days of the receipt of the determination by the political subdivision; and
- (2) state with reasonable specificity the reason for the request.

The state board of tax commissioners must act on a request for reconsideration within fifteen (15) days of receiving the request.

SECTION 17. IC 6-1.1-19-1.9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1.9. (a) This section applies to ad valorem property taxes first due and payable after December 31, 1999.

(b) Except as provided in:

- (1) IC 20-5-15-2 (public library in connection with school);**
- (2) IC 20-5-16-2 (nursery schools);**
- (3) IC 20-5-17-2 (Children's Museum in Marion County);**
- (4) IC 20-5-17.5-2 (historical societies);**
- (5) IC 20-5-17.5-3 (art associations);**
- (6) IC 20-5-17.5-4 (cultural institutions); and**
- (7) IC 20-5-37-4 (public playgrounds);**



1 a school corporation may not levy an ad valorem property tax for
2 the school corporation's general fund.

3 (c) A school corporation may not levy an ad valorem property
4 tax for the school corporation's transportation fund.

5 SECTION 18. IC 6-1.1-19-4.4 IS AMENDED TO READ AS
6 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 4.4. (a) With
7 respect to every appeal petition that is delivered to the tax control board
8 by the state board of tax commissioners under section 4.1 of this
9 chapter, and that does not include a request for emergency financial
10 relief, for property taxes first due and payable to a fund other than
11 the general fund or transportation fund, if a statute provides for an
12 appeal under this section, the tax control board shall, after the tax
13 control board makes the study of the appeal petition and related
14 materials that the tax control board considers necessary, recommend to
15 the state board of tax commissioners, in respect of the particular appeal
16 petition that:

17 (1) the order of the county board of tax adjustment or the county
18 auditor in respect of the appellant school corporation's budget, **ad**
19 **valorem property** tax levy, or **ad valorem property** tax rate for
20 the ensuing calendar year be approved;

21 (2) the order of the county board of tax adjustment or the county
22 auditor in respect of the appellant school corporation's budget, **ad**
23 **valorem property** tax levy, or **ad valorem property** tax rate be
24 disapproved and that the appellant school corporation's budget, **ad**
25 **valorem property** tax levy, or **ad valorem property** tax rate be
26 reduced as specified in the tax control board's recommendation;
27 or

28 (3) the order of the county board of tax adjustment or the county
29 auditor in respect of the appellant school corporation's budget, **ad**
30 **valorem property** tax levy, or **ad valorem property** tax rate be
31 disapproved and that the appellant school corporation's budget, **ad**
32 **valorem property** tax levy, or **ad valorem property** tax rate be
33 increased as specified in the tax control board's recommendation.
34 or

35 (4) combined with a recommendation allowed under subdivision
36 (1), (2), or (3), the adjusted base tax levy for the school
37 corporation be increased if the school corporation can show a
38 need for the increased adjusted base levy due to:

39 (A) the opening after December 31, 1972, of a new school
40 facility; or

41 (B) the opening after July 1, 1988, of an existing facility that
42 has not been used for at least three (3) years and that is being



reopened to provide additional classroom space.

The adjusted base levy increase, if approved by the tax control board, shall be an amount equal to the increase in costs resulting to the school corporation from the opening and operation of the new school facility or the reopening and operation of an existing facility that has not been used for at least three (3) years and that is being reopened to provide additional classroom space. In determining those increased costs, the tax control board shall consider the costs to the school corporation of complying with safety, health, space, heat, or lighting standards required by state or federal law or regulation, and the other physical operation costs that in the opinion of the tax control board justify an adjustment in the school corporation's adjusted base levy.

(b) With respect to an appeal petition described in this section, the tax control board may not make a recommendation that, if followed by the state board of tax commissioners, would authorize the appellant school corporation for ~~the~~ an ensuing calendar year

(1) to collect a general fund tax levy in excess of the general fund tax levy initially adopted and advertised by the appellant school corporation;

(2) to impose a general fund tax rate in excess of the general fund tax rate initially adopted and advertised by the appellant school corporation; or

(3) to collect an excessive tax levy: to levy an ad valorem property tax for the school corporation's general fund or transportation fund.

(c) If the tax control board concludes, after studying an appeal petition, that the appellant school corporation cannot, in the ensuing calendar year, carry out the public educational duty committed to the appellant school corporation by law if, for the ensuing calendar year, the appellant school corporation does not receive emergency financial relief, the tax control board may recommend to the state board of tax commissioners that the order of the county board of tax adjustment or the county auditor in respect to the budget of the appellant school corporation be approved, or disapproved and modified, as specified in the tax control board's recommendation, and that the appellant school corporation receive emergency financial relief from the state, on terms to be specified by the tax control board in the board's recommendation, in the form of:

(1) a grant or grants from funds of the state that are available for such a purpose;



(2) a loan or loans from funds of the state that are available for such a purpose;

(3) permission to the appellant school corporation to borrow funds from a source other than the state or assistance in obtaining the loan;

(4) an advance or advances of funds that will become payable to the appellant school corporation under a law providing for the payment of state funds to school corporations;

(5) permission to use, for general fund purposes, an unobligated balance in a construction fund, including unobligated proceeds of a sale of the school corporation's general obligation bonds; or

(6) a combination of the emergency financial relief described in subdivisions (1) through (5).

The tax control board shall recommend the source of the repayment of a loan recommended under this subsection. The tax control board may not recommend the imposition of an ad valorem property tax levy to repay the loan. The state board of tax commissioners may accept, reject, or accept and modify a recommendation made by the tax control board under this subsection.

(d) A school corporation, with respect to which the tax control board recommends and the state board of tax commissioners authorizes emergency financial relief under subsection (c), is, if the school corporation accepts the authorized relief, prohibited throughout a calendar year in which or for which the school corporation receives the emergency financial relief from taking the prohibited actions described in this subsection until the action is recommended by the tax control board to the state board of tax commissioners and authorized by the state board of tax commissioners. The prohibited actions are any of the following:

(1) The acquisition of real estate for school building purposes, the construction of new school buildings, or the remodeling or renovation of existing school buildings.

(2) The making of a lease of real or personal property for an annual rental or the incurring of any other contractual obligation (except an employment contract for a new employee, which contract is to supersede the contract of a terminating employee) calling for an annual outlay by the school corporation of more than ten thousand dollars (\$10,000).

(3) The purchase of personal property for a consideration of

C
O
P
Y



more than ten thousand dollars (\$10,000).

(4) The adoption or advertising of a budget, tax levy, or tax rate for a calendar year.

(e) If a school corporation subject to the controls described in subsection (d) takes any of the actions described in subsection (d) without having first obtained the recommendation of the tax control board and the state board of tax commissioners' authorization for the action, the state board of tax commissioners may take appropriate steps to reduce or terminate any emergency financial relief that the school corporation may then be receiving under subsection (c).

SECTION 19. IC 6-1.1-19-5.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 5.3. (a) ~~The tax control board may recommend to the state board of tax commissioners a correction of mathematical errors in data that affect the determination of:~~

- (1) a school corporation's adjusted base levy;
- (2) a school corporation's excessive tax levy; or
- (3) a school corporation's normal tax levy.

~~(b)~~ The state board of tax commissioners may correct mathematical errors in data for any school corporation.

SECTION 20. IC 6-1.1-19-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 7. Any recommendation that is to be made by the tax control board to the state board of tax commissioners pursuant to any provision of this chapter shall be made at such a time as is prescribed in this chapter and, if no time for the making of such a recommendation is prescribed in this chapter, then the recommendation shall be made at such a time as will permit the state board of tax commissioners to complete those duties of the board that are defined in IC ~~1971~~; 6-1.1-17 within the time allowed by law for the completion of those duties, or such additional time as is reasonably necessary for the state board of tax commissioners and the tax control board to complete the duties provided by this chapter. No **ad valorem property** tax levy shall be invalid because of the failure of either board to complete its duties within the time or time limits provided by this chapter or any other law. Subject to the provisions of this chapter, the state board of tax commissioners may accept, reject, or accept in part and reject in part any recommendation of the tax control board that is made to it under this chapter and may make any order that is consistent with the provisions of IC ~~1971~~; 6-1.1-17: ~~The state board of tax commissioners may not approve or authorize an excessive tax levy except in~~

C
o
p
y



1 accordance with the provisions of this chapter: **IC 6-1.1-17.**

2 **SECTION 21. IC 6-1.1-19-12 IS ADDED TO THE INDIANA**
 3 **CODE AS A NEW SECTION TO READ AS FOLLOWS**
 4 **[EFFECTIVE JANUARY 1, 2000]: Sec. 12. (a) As used in this**
 5 **section, "revenues" means excise tax distributions under IC 6-6-5**
 6 **and any other allocation of state tax collections or distributions**
 7 **that, by statute:**

8 (1) are distributed to school corporations; and

9 (2) are based on the property tax levies imposed by the taxing
 10 units in a county.

11 **The term does not include homestead credits or property tax**
 12 **replacement credits.**

13 (b) **A school corporation is entitled to receive for the school**
 14 **corporation's general fund and transportation fund a proportion**
 15 **of the revenues that are distributed within the county. The amount**
 16 **that the school corporation is entitled to receive during that**
 17 **calendar year equals the amount determined under the following**
 18 **formula:**

19 **STEP ONE: Determine the amount of revenue that is**
 20 **available for distribution in the county in that calendar year.**

21 **STEP TWO: Determine the sum of the school general fund**
 22 **property tax levy and the school transportation fund levy**
 23 **imposed by the school corporation and payable in 1999.**

24 **STEP THREE: Adjust the result determined in STEP TWO**
 25 **by the change in the Consumer Price Index for All Urban**
 26 **Consumers of the Bureau of Labor Statistics of the United**
 27 **States Department of Labor since 1999.**

28 **STEP FOUR: Determine the sum of:**

29 (A) the property tax levies imposed by all taxing units in
 30 the county; and

31 (B) the amount determined under STEP THREE;

32 for that calendar year.

33 **STEP FIVE: Determine the result of the STEP TWO amount**
 34 **divided by the STEP FOUR sum.**

35 **STEP SIX: Multiply the STEP ONE amount by the STEP**
 36 **FIVE result.**

37 (c) **The amount of revenues distributed to:**

38 (1) **taxing units other than a school corporation; and**

39 (2) **funds of a school corporation for which a property tax levy**
 40 **is imposed;**

41 **shall be changed for that same year by reducing the amount of**
 42 **revenue distributed by the amount of revenue allocated under this**



1 section for that same calendar year. The state board of tax
 2 commissioners shall make any adjustments required by this section
 3 and provide them to the appropriate county auditors.

4 (d) A school corporation shall be treated as a taxing unit for
 5 purposes of a distribution of financial institutions tax revenues
 6 under IC 6-5.5-8-2.

7 SECTION 22. IC 6-1.1-20-1.1 IS AMENDED TO READ AS
 8 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1.1. As used in
 9 this chapter, "controlled project" means any project financed by bonds
 10 or a lease, except for the following:

11 (1) A project for which the political subdivision reasonably
 12 expects to pay:

13 (A) debt service; or

14 (B) lease rentals;

15 from funds other than property taxes that are exempt from the
 16 levy limitations of IC 6-1.1-18.5 or ~~IC 6-1.1-19~~; **that are levied**
 17 **by a school corporation for a fund other than the general fund**
 18 **or transportation fund.** A project is not a controlled project even
 19 though the political subdivision has pledged to levy property taxes
 20 to pay the debt service or lease rentals if those other funds are
 21 insufficient.

22 (2) A project that will not obligate the political subdivision to
 23 more than two million dollars (\$2,000,000) in debt service or
 24 lease rentals.

25 (3) A project that is being refinanced for the purpose of providing
 26 gross or net present value savings to taxpayers.

27 (4) A project for which bonds were issued or leases were entered
 28 into before January 1, 1996, or where the state board of tax
 29 commissioners has approved the issuance of bonds or the
 30 execution of leases before January 1, 1996.

31 (5) A project that is required by a court order holding that a
 32 federal law mandates the project.

33 SECTION 23. IC 6-1.1-20-1.3 IS AMENDED TO READ AS
 34 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1.3. As used in
 35 this chapter, "lease" means a lease by a political subdivision of any
 36 controlled project with lease rentals payable from property taxes that
 37 are exempt from the levy limitations of IC 6-1.1-18.5 or ~~IC 6-1.1-19~~;
 38 **that are levied by a school corporation for a fund other than the**
 39 **general fund or transportation fund.**

40 SECTION 24. IC 6-1.1-21-2 IS AMENDED TO READ AS
 41 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 2. As used in this
 42 chapter:



1 (a) "Taxpayer" means a person who is liable for taxes on property
2 assessed under this article.

3 (b) "Taxes" means taxes payable in respect to property assessed
4 under this article. The term does not include special assessments,
5 penalties, or interest, but does include any special charges which a
6 county treasurer combines with all other taxes in the preparation and
7 delivery of the tax statements required under IC 6-1.1-22-8(a).

8 (c) "Department" means the department of state revenue.

9 (d) "Auditor's abstract" means the annual report prepared by each
10 county auditor which under IC 6-1.1-22-5 is to be filed on or before
11 March 1 of each year with the auditor of state.

12 (e) "Mobile home assessments" means the assessments of mobile
13 homes made under IC 6-1.1-7.

14 (f) "Postabstract adjustments" means adjustments in taxes made
15 subsequent to the filing of an auditor's abstract which change
16 assessments therein or add assessments of omitted property affecting
17 taxes for such assessment year.

18 (g) "Total county tax levy" means the sum of:

19 (1) the remainder of:

20 (A) the aggregate levy of all taxes for all taxing units in a
21 county which are to be paid in the county for a stated
22 assessment year as reflected by the auditor's abstract for the
23 assessment year, adjusted, however, for any postabstract
24 adjustments which change the amount of the aggregate levy;
25 minus

26 (B) the sum of any increases in property tax levies of taxing
27 units of the county that result from appeals described in:

28 (i) IC 6-1.1-18.5-13(5) and IC 6-1.1-18.5-13(6) filed after
29 December 31, 1982; plus

30 (ii) the sum of any increases in property tax levies of taxing
31 units of the county that result from any other appeals
32 described in IC 6-1.1-18.5-13 filed after December 31,
33 1983; plus

34 (iii) IC 6-1.1-18.6-3 (children in need of services and
35 delinquent children who are wards of the county); minus

36 (C) the total amount of property taxes imposed for the stated
37 assessment year by the taxing units of the county under the
38 authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed),
39 IC 12-19-5, or IC 12-20-24; minus

40 (D) the total amount of property taxes to be paid during the
41 stated assessment year that will be used to pay for interest or
42 principal due on debt that:



(i) is entered into after December 31, 1983;
 (ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and
 (iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

(iv) IC 20-5-17.5-3 for an art association fund; plus

(v) IC 21-2-17 for a special education preschool fund; ~~plus~~

~~(vi) an appeal filed under IC 6-1.1-19-5.1 for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus~~

~~(vii) an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible general fund levy for transportation operating costs; minus~~

~~(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19;~~

C
O
P
Y



including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5(a) STEP ONE or any other law; minus

(H) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE, whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(5) filed after December 31, 1982; or

(ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(I) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(J) for each county, the sum of:

(i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b); and

(ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) for property taxes payable in each year after 1995; plus

(2) all taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid; plus

(3) the amounts, if any, of county adjusted gross income taxes that were applied by the taxing units in the county as property tax replacement credits to reduce the individual levies of the taxing units for the assessment year, as provided in IC 6-3.5-1.1; plus

(4) the amounts, if any, by which the maximum permissible ad



valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated assessment year; plus

(5) the difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR; minus

(B) the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e).

(h) "December settlement sheet" means the certificate of settlement filed by the county auditor with the auditor of state, as required under IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes which each county auditor is required to prepare on or before March 1 of each year under IC 6-1.1-22-3.

SECTION 25. IC 6-1.1-21.5-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998 (RETROACTIVE)]: Sec. 5.

(a) The board shall determine the terms of a loan made under this chapter. However, interest may not be charged on the loan, and the loan must be repaid before January 1, 2000.

(b) The loan shall be repaid only from property tax revenues of the qualified taxing unit that are subject to the levy limitations imposed by IC 6-1.1-18.5 or ~~IC 6-1.1-19~~ **from distributions under IC 21-3-1.7-9**. The payment of any installment of principal constitutes a first charge against such property tax revenues **or distributions** as collected by the qualified taxing unit during the calendar year the installment is due and payable.

(c) The obligation to repay the loan is not a basis for the qualified taxing unit to obtain an excessive tax levy under IC 6-1.1-18.5. ~~or IC 6-1.1-19~~.

(d) Whenever the board receives a payment on a loan made under this chapter, the board shall deposit the amount paid in the counter-cyclical revenue and economic stabilization fund.

SECTION 26. IC 6-1.1-21.5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 6. (a) Except as specifically provided in subsection (c), the receipt by the qualified taxing unit of either the loan proceeds or any payment of delinquent tax owed by a taxpayer in bankruptcy, or both, is not considered to be part of the ad valorem property tax levy actually collected by the qualified taxing unit for taxes first due and payable during a particular calendar year for the purpose of calculating the levy excess under IC 6-1.1-18.5-17. ~~and IC 6-1.1-19-1.7.~~



(b) The loan proceeds and any payment of delinquent tax may be expended by the qualified taxing unit only to pay debts of the qualified taxing unit that have been incurred pursuant to duly adopted appropriations approved by the state board of tax commissioners for operating expenses.

(c) In the event the sum of the receipts of the qualified taxing unit that are attributable to:

(1) the loan proceeds; and

(2) the payment of property taxes owed by a taxpayer in a bankruptcy proceeding initially filed in 1986 and payable in respect to the second installment of taxes due and payable in November 1986, and in respect to taxes due and payable in 1987; exceeds eleven million nine hundred thousand dollars (\$11,900,000), the excess as received during any calendar year or years shall be set aside and treated for the calendar year when received as a levy excess subject to IC 6-1.1-18.5-17. ~~or IC 6-1.1-19-1.7.~~ In calculating the payment of property taxes as provided in subdivision (2), the amount of property tax credit ~~financially~~ **finally** allowed under IC 6-1.1-21-5 in respect to such taxes is deemed to be a payment of such property taxes.

(d) As used in this section, "delinquent tax" means any tax owed by a taxpayer in a bankruptcy proceeding initially filed in 1986 and that is not paid during the calendar year for which it was first due and payable.

SECTION 27. IC 6-1.1-21.7-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 14. Loan proceeds received under this chapter may not be considered to be a levy excess under IC 6-1.1-18.5-17. ~~and IC 6-1.1-19-1.7.~~

SECTION 28. IC 6-1.1-29-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9. (a) A county council may adopt an ordinance to abolish the county board of tax adjustment. This ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted. Notwithstanding IC 6-1.1-17, IC 6-1.1-18, IC 6-1.1-19, IC 12-19-3, IC 12-19-7, ~~IC 21-2-14,~~ IC 36-8-6, IC 36-8-7, IC 36-8-7.5, IC 36-8-11, IC 36-9-3, IC 36-9-4, and IC 36-9-13, if such an ordinance is adopted, this section governs the treatment of tax rates, tax levies, and budgets that would otherwise be reviewed by a county board of tax adjustment under IC 6-1.1-17.

(b) The time requirements set forth in IC 6-1.1-17 govern all filings and notices.

(c) A tax rate, tax levy, or budget that otherwise would be reviewed by the county board of tax adjustment is considered and must be treated for all purposes as if the county board of tax adjustment approved the



C
O
P
Y

1 tax rate, tax levy, or budget. This includes the notice of tax rates that is
2 required under IC 6-1.1-17-12.

3 SECTION 29. IC 6-1.1-30-9 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9. (a) The state
5 board of tax commissioners shall select the following employees in the
6 manner prescribed in this section:

7 (1) field representatives;

8 (2) supervisors; **and**

9 (3) employees who are selected to work in the board's division of
10 tax review. ~~and~~

11 ~~(4) employees who are selected to perform the duties assigned to~~
12 ~~the board under IC 1971, 6-1.1-34.~~

13 (b) The state board of tax commissioners shall select each employee
14 described in subsection (a) of this section from a list of applicants who
15 have passed an open, competitive examination ~~which that~~ tests ~~his an~~
16 **individual's** qualifications for the position. The board shall announce
17 the time and place of the examination in the public press before the
18 examination is held and shall conduct the examination. The
19 examination must be practical, and it must be related to those matters
20 which fairly test an individual's qualifications for the position.

21 (c) The state board of tax commissioners shall:

22 (1) select field representatives and supervisors so that no more
23 than one-half (1/2) of all those employees belong to any one (1)
24 political party; **and**

25 (2) select, as nearly as possible, the employees described in
26 subsection (a)(3) ~~of this section~~ so that no more than one-half
27 (1/2) of all those employees belong to any one (1) political party.
28 ~~and~~

29 ~~(3) select, as nearly as possible, the employees described in~~
30 ~~subsection (a)(4) of this section so that no more than one-half~~
31 ~~(1/2) of those employees belong to any one (1) political party.~~

32 SECTION 30. IC 6-1.1-44 IS ADDED TO THE INDIANA CODE
33 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
34 MAY 1, 1999]:

35 **Chapter 44. Replacement of Property Tax Levies in Allocation**
36 **Areas**

37 **Sec. 1.** As used in this chapter, "allocation area" refers to an
38 area that is established under the authority of any of the following
39 statutes and in which property taxes levied by a taxing unit other
40 than the area are allocated to the use of the area:

41 (1) IC 6-1.1-39-5.

42 (2) IC 8-22-3.5-9.



C
o
p
y

- 1 (3) IC 36-7-14-30.
- 2 (4) IC 36-7-14-32.
- 3 (5) IC 36-7-14-39.
- 4 (6) IC 36-7-14-41.
- 5 (7) IC 36-7-14-43.
- 6 (8) IC 36-7-14.5-12.5.
- 7 (9) IC 36-7-15.1-20.
- 8 (10) IC 36-7-15.1-22.
- 9 (11) IC 36-7-15.1-26.
- 10 (12) IC 36-7-15.1-29.
- 11 (13) IC 36-7-15.1-30.
- 12 (14) IC 36-7-30-25.

13 (15) Any other similar statute.

14 **Sec. 2.** As used in this chapter, "obligation" means an obligation
 15 entered into by the governing body of an allocation area to repay:

- 16 (1) the principal and interest on bonds; or
- 17 (2) any other contractual obligation;

18 from revenues received from the levy of an ad valorem property
 19 tax by a taxing unit. The term includes a guarantee of repayment
 20 from ad valorem property tax levies if other revenues are
 21 insufficient to make a payment.

22 **Sec. 3.** After May 1, 1999, the governing body of an allocation
 23 area may not pledge a school general fund property tax levy or
 24 transportation fund property tax levy that is first due and payable
 25 after December 31, 1999, to the payment of an obligation.

26 **Sec. 4. (a)** This section applies to an allocation area in which:

- 27 (1) the holders of bonds or another contractual obligation
 28 received a pledge before May 1, 1999, of ad valorem property
 29 tax levies to repay any part of the bonds or other contractual
 30 obligation after December 31, 1999; and
- 31 (2) the elimination of a general fund property tax levy and
 32 transportation fund property tax levy for a school corporation
 33 adversely affects the ability of the allocation area to repay the
 34 bonds or other contractual obligation described in subdivision
 35 (1).

36 (b) The governing body of an allocation area may, after a
 37 hearing, impose a special assessment on the owners of property
 38 that is located in an allocation area to repay an obligation that
 39 comes due after December 31, 1999. The total amount of the special
 40 assessment in a year may not exceed the amount by which the total
 41 due in the year on the obligations of the allocation area entered
 42 into before May 2, 1999, exceed the amount of other revenues



1 available to the allocation area.

2 (c) A special assessment shall be imposed and collected in the
3 same manner as ad valorem property taxes are imposed and
4 collected.

5 SECTION 31. IC 6-3.1-2-1 IS AMENDED TO READ AS
6 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. As used in this
7 chapter, the following terms have the following meanings:

8 (1) "Eligible teacher" means a teacher:

9 (A) certified in a shortage area by the professional standards
10 board established by IC 20-1-1.4; and

11 (B) employed under contract during the regular school term by
12 a school corporation in a shortage area.

13 (2) "Qualified position" means a position that:

14 (A) is relevant to the teacher's academic training in a shortage
15 area; and

16 (B) has been approved by the Indiana state board of education
17 under section 6 of this chapter.

18 (3) "Regular school term" means the period, other than the school
19 summer recess, during which a teacher is required to perform
20 duties assigned to him under a teaching contract.

21 (4) "School corporation" ~~means any corporation authorized by law~~
22 ~~to establish public schools and levy taxes for their maintenance.~~
23 **has the meaning set forth in IC 36-1-2-17.**

24 (5) "Shortage area" means the subject areas of mathematics and
25 science and any other subject area designated as a shortage area
26 by the Indiana state board of education.

27 (6) "State income tax liability" means a taxpayer's total income
28 tax liability incurred under IC 6-2.1 and IC 6-3, as computed after
29 application of credits that under IC 6-3.1-1-2 are to be applied
30 before the credit provided by this chapter.

31 SECTION 32. IC 6-3.5-1.1-1 IS AMENDED TO READ AS
32 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. As used in this
33 chapter:

34 "Adjusted gross income" has the same definition that the term is
35 given in IC 6-3-1-3.5(a), except that in the case of a county taxpayer
36 who is not a resident of a county that has imposed the county adjusted
37 gross income tax, the term includes only adjusted gross income derived
38 from his principal place of business or employment.

39 "Civil taxing unit" means any entity having the power to impose ad
40 valorem property taxes except a school corporation. The term does not
41 include a solid waste management district that is not entitled to a
42 distribution under section 1.3 of this chapter. However, in the case of



a consolidated city, the term "civil taxing unit" includes the consolidated city and all special taxing districts, all special service districts, and all entities whose budgets and property tax levies are subject to review under IC 36-3-6-9.

"County council" includes the city-county council of a consolidated city.

"County taxpayer" as it relates to a county for a year means any individual:

(1) who resides in that county on the date specified in section 16 of this chapter; or

(2) who maintains his principal place of business or employment in that county on the date specified in section 16 of this chapter and who does not on that same date reside in another county in which the county adjusted gross income tax, the county option income tax, or the county economic development income tax is in effect.

"Department" refers to the Indiana department of state revenue.

"Nonresident county taxpayer" as it relates to a county for a year means any county taxpayer for that county for that year who is not a resident county taxpayer of that county for that year.

"Resident county taxpayer" as it relates to a county for a year means any county taxpayer who resides in that county on the date specified in section 16 of this chapter.

"School corporation" ~~means any public school corporation established under Indiana law.~~ **has the meaning set forth in IC 36-1-2-17.**

SECTION 33. IC 6-3.5-1.1-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 14. (a) In determining the amount of property tax replacement credits civil taxing units and school corporations of a county are entitled to receive during a calendar year, the state board of tax commissioners shall consider only property taxes imposed on tangible property that was assessed in that county.

(b) If a civil taxing unit or a school corporation is located in more than one (1) county and receives property tax replacement credits from one (1) or more of the counties, then the property tax replacement credits received from each county shall be used only to reduce the property tax rates that are imposed within the county that distributed the property tax replacement credits.

(c) A civil taxing unit shall treat any property tax replacement credits that it receives or is to receive during a particular calendar year as a part of its property tax levy for that same calendar year for



C
O
P
Y

purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(d) A school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its ~~general fund~~; debt service fund, capital projects fund, ~~transportation fund~~; and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget. ~~and for purposes of the property tax levy limits imposed by IC 6-1.1-19.~~ A school corporation shall allocate the property tax replacement credits described in this subsection to all ~~five (5)~~ **three (3)** funds in proportion to the levy for each fund.

SECTION 34. IC 6-3.5-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 9. Local Income Tax for Education

Sec. 1. The following definitions apply throughout this chapter:

- (1) "Adjusted gross income" has the meaning set forth in IC 6-3-1-3.5.
- (2) "Corporate taxpayer" means a corporation that is subject to taxation under IC 6-2.1 or IC 6-3 for a taxable year and that owns or leases tangible property located in a school corporation.
- (3) "Department" refers to the department of state revenue.
- (4) "Resident taxpayer", as it relates to a particular school corporation, means an individual who resides in that school corporation.
- (5) "School corporation" has the meaning set forth in IC 36-1-2-17.
- (6) "School year" means a twelve (12) month period beginning July 1 of a calendar year.

Sec. 2. (a) Using procedures described in this chapter, a governing body of a school corporation may adopt ordinances to:

- (1) impose the local income tax for education in the school district;
- (2) increase the local income tax for education rate for the school district; or
- (3) subject to the provisions in this chapter, decrease the local income tax for education rate in the school district.

(b) The local income tax for education may not be set at or increased to a rate that exceeds the lesser of the following:

- (1) One and six-tenths percent (1.6%).



(2) A rate that will result in total revenue that, when added to all other general money (as defined in IC 21-10-1-5) will exceed the sum of the expenditure limit for the school corporation (as determined under IC 21-10).

However, the governing body of a school corporation shall increase the tax rate, as required and only for the time necessary, to meet a fiscal emergency of a school corporation approved by the state board of tax commissioners under IC 21-10. If a tax rate is increased under this chapter to meet a fiscal emergency, all of the money raised by the increase shall be applied to the fiscal emergency or to repay interest and principal on bonds or anticipation warrants issued to meet the fiscal emergency.

(c) The governing body of a school corporation shall give notice of an action under this chapter to the state board of tax commissioners and the department not more than five (5) business days after adopting an ordinance under this chapter.

(d) After a hearing, the state board of tax commissioners may reduce a rate imposed or increased under this chapter in order to implement subsection (b). If the state board of tax commissioners reduces a tax rate under this subsection, the state board of tax commissioners shall give notice of the action to the department, the school corporation, and the county auditor for each county in which the school corporation is located.

Sec. 3. (a) Before a governing body of a school corporation may propose an ordinance or vote on a proposed ordinance, the governing body must hold a public hearing on the proposed ordinance and provide the public with notice of the time and place where the public hearing will be held.

(b) The notice required by subsection (a) must be given in accordance with IC 5-3-1.

(c) The form of the notice required by this section must be in substantially the following form:

**"NOTICE OF LOCAL INCOME
TAX FOR EDUCATION ORDINANCE VOTE**

The governing body of the _____ (insert name of school corporation) hereby declares that on _____ (insert date) at _____ (insert the time of day) a public hearing will be held at _____ (insert location) concerning the following resolution to propose an ordinance (or proposed ordinance) that is before the members of the governing body of the school corporation. Members of the public are invited to attend the hearing for the purpose of expressing their views.



(Insert a copy of the proposed ordinance or resolution to propose an ordinance.)".

Sec. 4. (a) The governing body of a school corporation shall before August 1, 1999, impose the local income tax for education on:

(1) the adjusted gross income of resident taxpayers residing in the school corporation; and

(2) the portion of the taxable income of corporate taxpayers that is equal to:

(A) the corporate taxpayer's taxable income; multiplied by

(B) a fraction equal to:

(i) the assessed value of property owned or leased by the corporate taxpayer in the school corporation; multiplied by

(ii) the assessed value of property owned or leased by the corporate taxpayer in all school corporations in Indiana;

effective September 1, 1999.

(b) To impose the local income tax for education, a governing body of a school corporation must pass an ordinance. The ordinance must substantially state the following:

"The _____ governing body of the school corporation imposes the local income tax for education on the taxpayers of _____ School Corporation. The local income tax for education is imposed at a rate of _____ on the taxpayers of the school corporation. This tax takes effect September 1, 1999."

Sec. 5. The governing body of a school corporation may after January 1 and before April 1 of that year pass an ordinance to increase the school corporation's tax rate for taxpayers. If a governing body of a school corporation passes an ordinance under this section, the school corporation's local income tax for education rate for taxpayers increases as provided in the ordinance.

Sec. 6. (a) The governing body of a school corporation may adopt an ordinance to decrease the local income tax for education rate in effect.

(b) To decrease the local income tax for education rate, the governing body of a school corporation must adopt an ordinance after January 1 but before April 1 of a year. The ordinance must substantially state the following:

"The _____ governing body of the school corporation decreases the local income tax for education rate from _____ percent (___ %) to _____ percent (___ %).



1 This ordinance takes effect July 1 of this year."

2 (c) A governing body of a school corporation may not decrease
3 the local income tax for education if the school corporation has
4 pledged the local income tax for education for any purpose
5 permitted by IC 5-1-14 or any other statute.

6 (d) An ordinance adopted under this section takes effect July 1
7 of the year in which the ordinance is adopted.

8 Sec. 7. If for any reason a taxpayer is subject to different tax
9 rates for the local income tax for education imposed by a
10 particular school corporation, the taxpayer's local income tax for
11 education rate for that school corporation and that taxable year is
12 the rate determined in the last STEP of the following STEPS:

13 STEP ONE: Multiply the number of months in the taxpayer's
14 taxable year that precede July 1 by the rate in effect before
15 the rate change.

16 STEP TWO: Multiply the number of months in the taxpayer's
17 taxable year that follow June 30 by the rate in effect after the
18 rate change.

19 STEP THREE: Divide the sum of the amounts determined
20 under STEPS ONE and TWO by twelve (12).

21 Sec. 8. If the local income tax for education is not in effect
22 during a taxpayer's entire taxable year, the amount of local income
23 tax for education that the resident taxpayer owes for that taxable
24 year equals the product of:

25 (1) the amount of local income tax for education the taxpayer
26 would owe if the tax had been imposed during the taxpayer's
27 entire taxable year; multiplied by

28 (2) a fraction, the numerator of which equals the number of
29 days in the taxpayer's taxable year during which the local
30 income tax for education was in effect, and the denominator
31 of which equals the total number of days in the taxpayer's
32 taxable year.

33 Sec. 9. (a) A special account within the state general fund shall
34 be established for each school corporation that adopts the local
35 income tax for education. Any revenue derived from the imposition
36 of the local income tax for education by a school corporation shall
37 be deposited in that school corporation's account in the state
38 general fund.

39 (b) Any income earned on money held in an account under
40 subsection (a) becomes a part of that account.

41 (c) Any revenue remaining in an account established under
42 subsection (a) at the end of a fiscal year does not revert to the state



1 general fund.

2 **Sec. 10. (a)** Revenue derived from the imposition of the local
3 income tax for education shall, in the manner prescribed by this
4 section, be distributed to the school corporation that imposed the
5 tax. The amount that is to be distributed to a school corporation
6 during an ensuing calendar year equals the amount of local income
7 tax for education revenue that the department, after reviewing the
8 recommendation of the budget agency, estimates will be received
9 from that school corporation during the twelve (12) month period
10 beginning July 1 of a calendar year.

11 **(b)** Before July 2 of each calendar year, the department, after
12 reviewing the recommendation of the budget agency, shall estimate
13 and certify to the county auditor of each adopting school
14 corporation and the school corporation the amount of local income
15 tax for education revenue that will be collected from that school
16 corporation during the twelve (12) month period beginning July 1
17 of that calendar year and ending June 30 of the following calendar
18 year. However, before October 1, 1999, the department, after
19 reviewing the recommendation of the budget agency, shall estimate
20 and certify to the county auditor of each adopting school
21 corporation and the school corporation the amount of local income
22 tax for education revenue that will be collected from that school
23 corporation during the period beginning on the date in 1999 when
24 the local income tax for education is imposed and ending June 30
25 of the following calendar year. The amount certified is the school
26 corporation's certified distribution for the immediately succeeding
27 calendar year. The amount certified may be adjusted under
28 subsection (c) or (d).

29 **(c)** The department may certify to an adopting school
30 corporation an amount that is greater than the estimated twelve
31 (12) month revenue collection if the department, after reviewing
32 the recommendation of the budget agency, determines that there
33 will be a greater amount of revenue available for distribution from
34 the school corporation's account established under section 9 of this
35 chapter.

36 **(d)** The department may certify an amount less than the
37 estimated twelve (12) month revenue collection if the department,
38 after reviewing the recommendation of the budget agency,
39 determines that a part of those collections needs to be distributed
40 during the current calendar year so that the school corporation
41 will receive its full certified distribution for the current calendar
42 year.



(e) One-twelfth (1/12) of each adopting school corporation's certified distribution for a school year shall be distributed from the account established under section 9 of this chapter to the school corporation on the first day of each month of the school year.

(f) All distributions from an account established under section 9 of this chapter shall be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

Sec. 11. The revenue a school corporation receives under this chapter may be used to fund any lawful purpose of the school corporation and may be deposited in any fund, subject to the provisions of the school corporation's budget adopted under IC 21-10. The revenue shall be treated as general money under IC 21-10.

Sec. 12. For purposes of this chapter, an individual shall be treated as a resident of the school corporation in which the individual:

- (1) maintains a home, if the individual maintains only one (1) in Indiana;
- (2) if subdivision (1) does not apply, is registered to vote;
- (3) if subdivision (1) or (2) does not apply, registers the individual's personal automobile; or
- (4) if subdivision (1), (2), or (3) does not apply, spends the majority of the individual's time in Indiana during the taxable year in question.

Sec. 13. (a) Using procedures provided under this chapter, the governing body of a school corporation may pass an ordinance to enter into reciprocity agreements with the taxing authority of any city, town, municipality, county, or other similar local governmental entity of any other state. The reciprocity agreements must provide that the income of taxpayers is exempt from income taxation by the other local governmental entity to the extent that income of the residents of the other local governmental entity is exempt from the local income tax for education in the adopting school corporation.

(b) A reciprocity agreement adopted under this section may not become effective until it is also made effective in the other local governmental entity that is a party to the agreement.

(c) The form and effective date of any reciprocity agreement described in this section must be approved by the department.

Sec. 14. (a) Except as otherwise provided in subsection (b) and the other provisions of this chapter, all provisions of the adjusted



gross income tax law (IC 6-3) concerning:

- (1) definitions;
- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) deductions or exemptions from adjusted gross income;
- (5) remittances;
- (6) incorporation of the provisions of the Internal Revenue Code;
- (7) penalties and interest; and
- (8) exclusion of military pay credits for withholding;

apply to the imposition, collection, and administration of the tax imposed by this chapter.

(b) IC 6-3-1-3.5(a)(5), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the tax imposed by this chapter.

(c) The tax imposed under this chapter is a listed tax for the purposes of IC 6-8.1.

(d) Notwithstanding subsections (a) and (b), each employer shall report to the department and the school corporation the amount of withholdings attributable to each school corporation. This report shall be submitted at the same time that the employer submits the employer's other withholding report to the department.

Sec. 15. (a) Except as provided in subsection (b), if for a particular taxable year a taxpayer is liable for an income tax imposed by a school corporation located outside Indiana, that taxpayer is entitled to a credit against the local income tax for education liability for that same taxable year. The amount of the credit equals the amount of tax imposed by the other governmental entity on income derived from sources outside Indiana and subject to the local income tax for education. However, the credit provided by this section may not reduce a taxpayer's local income tax for education liability to an amount less than would have been owed if the income subject to taxation by the other governmental entity had been ignored.

(b) The credit provided by this section does not apply to a taxpayer to the extent that the other governmental entity provides for a credit to the taxpayer for the amount of local income tax for education owed under this chapter.

(c) To claim the credit provided by this section, a taxpayer must provide the department with satisfactory evidence that the taxpayer is entitled to the credit.

Sec. 16. (a) If for a particular taxable year a resident taxpayer is, or a resident taxpayer and the taxpayer's spouse who file a joint



C
O
P
Y

return are, allowed a credit for the elderly or the totally disabled under Section 22 of the Internal Revenue Code, the resident taxpayer is, or the resident taxpayer and the taxpayer's spouse are, entitled to a credit against the local income tax for education liability for that same taxable year. The amount of the credit equals the lesser of:

(1) the product of:

(A) the credit for the elderly or the totally disabled for that same taxable year; multiplied by

(B) a fraction, the numerator of which is the local income tax for education rate imposed against the resident taxpayer, or the resident taxpayer and the taxpayer's spouse, and the denominator of which is fifteen-hundredths (0.15); or

(2) the amount of local income tax for education imposed on the resident taxpayer, or the resident taxpayer and the taxpayer's spouse.

(b) If a resident taxpayer and the taxpayer's spouse file a joint return and are subject to different local income tax for education rates for the same taxable year, they shall compute the credit under this section by using the formula provided by subsection (a), except that they shall use the average of the two (2) local income tax for education rates imposed against them as the numerator referred to in subsection (a)(1)(B).

Sec. 17. Notwithstanding any other law, if a school corporation desires to issue obligations, or enter into leases, payable wholly or in part by the local income tax for education, the obligations of the school corporation or any lessor may be sold at public sale in accordance with IC 5-1-11 or at negotiated sale.

SECTION 35. IC 20-1-1.3-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 8. (a) A public school that receives a monetary award under this chapter may expend that award for any educational purpose for that school, except:

(1) athletics;

(2) salaries for school personnel; or

(3) salary bonuses for school personnel.

(b) A monetary award may not be used to determine

~~(1) the maximum permissible general fund ad valorem property tax levy under IC 6-1.1-19-1.5; or~~

~~(2) the tuition support under IC 21-3-1.6; IC 21-3-1.7~~

of the school corporation of which the school receiving the monetary award is a part.



SECTION 36. IC 20-1-6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. As used in this chapter, the following terms have the following meanings:

(1) "Child with a disability" means any child who is at least three (3) years of age but less than twenty-two (22) years of age and who because of physical or mental disability is incapable of being educated properly and efficiently through normal classroom instruction, but who with the advantage of a special educational program may be expected to benefit from instruction in surroundings designed to further the educational, social, or economic status of the child. Public schools may operate special education programs for hearing impaired children as young as six (6) months of age on an experimental basis upon the approval of the superintendent of public instruction and the Indiana state board of education.

(2) "Division" means the division of special education within the department of education.

(3) "Director" means the director of the division of special education.

(4) "School corporation" ~~means any corporation authorized by law to establish public schools and levy taxes for the maintenance of the schools.~~ **has the meaning set forth in IC 36-1-2-17.**

(5) "Individualized education program" means a written statement developed by a group that includes:

(A) a representative of the school corporation or public agency responsible for educating the child;

(B) the child's teacher;

(C) the child's parent, guardian, or custodian;

(D) if appropriate, the child; and

(E) if the provision of services for a seriously emotionally disabled child is considered, a mental health professional provided by the community mental health center (as described under IC 12-29) or a managed care provider (as defined in IC 12-7-2-127(b)) and serving the community in which the child resides;

and that describes the special education to be provided to the child.

(6) "Preschool child with a disability" refers to a disabled child who is at least three (3) years of age by September 1 of the 1989-90 school year, August 1 of the 1990-91 school year, July 1 of the 1991-92 school year, or June 1 of the 1992-93 school year and every subsequent school year.



(7) "Special education" means instruction specially designed to meet the unique needs of a child with a disability. It includes transportation, developmental, corrective, and other support services and training only when required to assist a child with a disability to benefit from the instruction itself.

(8) "School year" has the meaning set forth in IC 20-10.1-2-1.

SECTION 37. IC 20-2-2-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3. (a) The township trustees of each and every township of each county shall perform all the civil functions performed before March 13, 1947, by such township trustees and together with other township trustees of the county shall constitute a county board of education for the purpose of managing the affairs of the county school corporation hereby created in each such county. School cities and school towns shall retain independent organization and administration unless abandoned as provided by law, and the county school corporation, also referred to in this chapter as the county, shall include all areas not organized on March 13, 1947, under the laws of this state into jurisdictions controlled and governed as school cities or school towns. Said county board of education may be referred to interchangeably as the county board of school trustees and as the board. Said board shall meet at such time as the board shall designate at the office of the county superintendent of schools and at such other times and places as the county superintendent of schools may deem necessary. At the first meeting of each year, to be held on the first Wednesday after the first Monday in January, the board shall organize by selecting a president, a vice president, a secretary, and a treasurer from its membership. Provided, however, that no later than April 12, 1947, it shall be the duty of the county superintendent of schools to call said board into special session and unless the county board of education shall elect to have the provisions of this section remain inoperative, under provisions that may be included within this section, said board shall so organize itself, except that the failure of the county superintendent of schools to call the county board of education into session within the prescribed limits of this section shall not be construed to mean that a county school corporation as described in this section shall be brought into existence in such county, and no such county school corporation shall be brought into existence until the board has met in special session subsequent to March 13, 1947, and has taken action to organize itself into a county school corporation, after consideration of the question whether it should elect to have the provisions of this section remain inoperative under provisions that may be included within this section.



Such organization when and if effected shall be filed with the county auditor and shall be published by said auditor in two (2) newspapers of different political persuasions of general circulation throughout the county within ten (10) days after such filing, and such organization shall be deemed to fulfill all the requirements of this section for the transacting of public business under this section. The secretary of the board shall keep an accurate record of the minutes of the board, which minutes shall be kept at the county superintendent's office. The county superintendent shall act as administrator of the board and shall carry out such acts and duties as shall be designated by the board. A quorum shall consist of two-thirds (2/3) of the members of the board.

(b) The board shall make decisions as to the general conduct of the schools, which shall be enforced as entered upon the minutes recorded by the secretary of the board, and shall exercise all powers exercised before March 13, 1947, under the law, by or through township trustees or meetings or petitions of the trustees of the county.

(c) The board shall appoint a county superintendent of schools who shall serve for a term of four (4) years. The first such appointment under this section shall be made in accordance with law in June 1949, to become effective August 16, 1949, and thereafter the board shall fill vacancies in this office by appointments which shall expire at the end of the regular term. The county superintendent of schools and other persons employed for administrative or supervisory duties shall be deemed to be supervisors of instruction.

(d) The government of the common schools of the county shall be vested in the board, and the board shall function with all the authority, powers, privileges, duties, and obligations granted to or required of school cities before March 13, 1947, and school towns and their governing boards generally under the laws pertaining thereto with reference to the purchase of supplies, purchase and sale of buildings, grounds, and equipment, the erection of buildings, the employment and dismissal of school personnel, the right and power to sue and be sued in the name of the county, the insuring of property and employees, the levying and collecting of taxes **under IC 6-3.5-9**, the making and executing of a budget, the borrowing of money, the paying of the salaries and expenses of the county superintendent and employees as approved by the board and to any act necessary to the proper administration of the common schools of the county.

(e) Such school corporations shall be vested with all right, title, and interest of their respective predecessor township school corporations hereby terminated to and in all the real, personal, and other property of any nature and from whatever source derived, and shall assume, pay,



C
o
p
y

and be liable for all the indebtedness and liabilities of the same.

(f) The treasurer, before entering upon the duties of his office, shall execute a bond to the acceptance of the county auditor in an amount equal to the largest sum of money that will be in the possession of the treasurer at any one (1) time conditioned as an ordinary official bond, with a reliable surety company or at least two (2) sufficient freehold sureties, who shall not be members of such board, as surety or sureties on such bond. The president and secretary shall each give bond, with like surety or sureties, to be approved by the county auditor, in the sum of one-fourth (1/4) of said amount. Provided, that such boards of school trustees may purchase said bonds from some reliable surety company and pay for them out of the special school revenue of their respective counties.

(g) The powers set forth in this section shall not be considered as or construed to limit the power and authority of such boards to the powers therein expressly conferred or to restrict or modify any powers or authority granted by any other law not in conflict with the provisions of this section.

(h) ~~Every such board shall have, as respects the levy of taxes by it, power annually to levy such amount of taxes as in the judgment of such board; made matter of record in its minutes; should be levied to produce income sufficient to conduct and carry on the common schools committed to such board; and It is hereby made the duty of such board annually to levy a sum sufficient to meet all payments of principal and interest as they will mature in the year for which such levy is made on the bonds, notes, or other obligations of such board.~~

(i) The power of such board ~~in so making to make~~ tax levies shall be exercised within statutory limits and said levies shall be subject to the same review as school city and school town levies.

SECTION 38. IC 20-2-9-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 2. Said school trustees shall maintain in each school corporation a term of school at least six (6) months in duration. ~~and shall authorize a local tuition levy sufficient to conduct a six (6) months term of school each year based on estimates and receipts from all sources for the previous year; which may include that received from the state's tuition revenue: Provided; Such levy shall not exceed the limit now provided by law.~~

SECTION 39. IC 20-3-11-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 18. Every such board of school commissioners: ~~shall have;~~

(1) ~~may,~~ as respects the levy of taxes by it, ~~power~~ annually to levy such amount of taxes as in the judgment of said board, made



1 matter of record in its minutes, should be levied to produce
 2 income sufficient to conduct and carry on the work committed to
 3 such board **for the purposes of any fund other than the school**
 4 **general fund or school transportation fund; and it is hereby**
 5 **made the duty of said board**

6 **(2) shall** annually ~~to~~ levy a sum sufficient to meet all payments of
 7 principal and interest as they will mature in the year for which
 8 such levy is made on the bonds, notes, or other obligations of said
 9 board. ~~and the fund arising from any levy made by such board~~
 10 ~~shall be known as its "general fund."~~ Said general fund may
 11 lawfully be used by said board for any purpose within the scope
 12 of the duties of such board as imposed by law.

13 SECTION 40. IC 20-3-11-20 IS AMENDED TO READ AS
 14 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 20. **(a)** Each such
 15 board of school commissioners may from time to time, whenever its
 16 general fund shall be exhausted or in the board's judgment be in danger
 17 of exhaustion, make temporary loans for the use of its general fund to
 18 be paid out of ~~the proceeds of taxes theretofore levied by such school~~
 19 ~~city for its money to be deposited in the~~ general fund. The amount so
 20 borrowed in aid of said general fund shall be paid into said general
 21 fund and may be used for any purpose for which the said general fund
 22 lawfully may be used. Any such temporary loan shall be evidenced by
 23 the promissory note or notes of said school city, shall bear interest at
 24 not more than seven percent (7%) per annum, interest payable at the
 25 maturity of the note or periodically, as the note may express, and shall
 26 mature at such time or times as the board of school commissioners may
 27 decide, but not later than one (1) year from the date of the note. No
 28 such loan or loans made in any one (1) calendar year shall be for a sum
 29 greater than the amount estimated by said board as the ~~proceeds money~~
 30 ~~to be received by it from the levy of taxes theretofore made by said~~
 31 ~~school city in behalf of its said~~ **deposited in the** general fund **before**
 32 **the due date of the note.** Successive loans may be made in aid of said
 33 general fund in any calendar year, but the aggregate amount thereof,
 34 outstanding at any one (1) time, shall not exceed such estimated
 35 ~~proceeds of taxes levied in behalf of the said general fund: amounts to~~
 36 **be deposited in the general fund during the terms of the notes.**

37 **(b)** No such loan shall be made until notice asking for bids therefor
 38 shall have been given by newspaper publication, which publication
 39 shall be made one (1) time in a newspaper published in said city and
 40 said publication shall be at least seven (7) days before the time when
 41 bids for such loans will be opened. Bidders shall name the amount of
 42 interest they agree to accept not exceeding seven percent (7%) per



1 annum, and the loan shall be made to the bidder or bidders bidding the
 2 lowest rate of interest. The note or notes or warrants shall not be
 3 delivered until the full price of the face thereof shall be paid to the
 4 treasurer of said school city, and no interest shall accrue thereon before
 5 such delivery.

6 (c) Any such school corporation wishing to make a temporary loan
 7 in aid of its general fund, finding that it has need to exercise the power
 8 in this section above given to make a temporary loan, which has in its
 9 treasury money derived from the sale of bonds, which money derived
 10 from the sale of bonds cannot or will not, in the due course of the
 11 business of said school city, be expended in the then near future, may,
 12 if it so elects, temporarily borrow, and without payment of interest,
 13 from such bond fund, for the use and aid of said general fund in the
 14 manner and to the extent hereinafter expressed, viz.: Such school city
 15 shall, by its board of school commissioners, take all the steps required
 16 by law to effect such temporary loan up to the point of advertising for
 17 bids or offers for such loans; it shall then present to the state board of
 18 tax commissioners of the state of Indiana, and to the state board of
 19 accounts of the state of Indiana, a copy of the corporate action of said
 20 school city concerning its desire to make such temporary loan and a
 21 petition showing the particular need for such temporary loan, and the
 22 amount and the date or dates when said general fund will need such
 23 temporary loan, or ~~instalments~~ **installments** of such loan, and the date
 24 at which such loan, and each ~~instalment~~ **installment** thereof, will be
 25 needed, and the estimated amounts ~~from taxes~~ to come into said
 26 general fund, and the dates when it is expected ~~such proceeds of taxes~~
 27 **that the amounts** will be received by such school city in behalf of said
 28 general fund, and showing what amount of money said school city has
 29 in any fund derived from the proceeds of the sale of bonds, which
 30 cannot or will not be expended in the then near future, and showing
 31 when and to what extent and why money in such bond fund, not soon
 32 to be expended, will not be expended in the then near future and
 33 requesting that said state board of tax commissioners, and said state
 34 board of accounts, respectively, authorize a temporary loan from said
 35 bond fund in aid of said general fund.

36 (d) If said state board of tax commissioners shall find and order that
 37 there is need for such temporary loan, and that it should be made, and
 38 said state board of accounts shall find that the money proposed to be
 39 borrowed will not be needed during the period of the temporary loan by
 40 the fund from which it is to be borrowed, and said two (2) state boards
 41 shall approve the loan, the business manager and treasurer of said
 42 school city shall, upon such approval by said two (2) state boards, take

C
O
P
Y



all steps necessary to transfer the amount of such loans, as a temporary loan from the fund to be borrowed from, to said general fund of such school city. The loan so effected shall, for all purposes, be a debt of the school city chargeable against its constitutional debt limit.

(e) Such two (2) state boards may fix the aggregate amount so to be borrowed on any one (1) petition and shall determine at what time or times and in what ~~instalments~~ **installments** and for what periods it shall be borrowed. The treasurer and business manager of such school city, from time to time, as money shall be collected ~~from taxes levied~~ in behalf of said general fund, shall credit the same on such loan until the amount borrowed is fully repaid to the lending fund, and they shall at the end of each calendar month report to the board the several amounts so applied ~~from taxes~~ to the payment of such loan.

(f) The school city shall, as often as once a month, report to both of said state boards the amount of money then so borrowed and unpaid, the anticipated like borrowings of the current month, the amount left in the said general fund, and the anticipated drafts upon the lending bond fund for the objects for which that fund was created.

(g) Said two (2) state boards, or either of them, may, if it shall seem to said boards, or to either of them, that the fund from which the loan was made requires the repayment of all or of part of such loan(s) before its maturity or said general fund no longer requires all or some part of the proceeds of such loan, require such school city to repay all or any part of such loan, and, if necessary to perform the requirement, such school city shall exercise its power of making a temporary loan procured from others to raise the money so needed to repay the lending bond fund the amount so ordered repaid.

SECTION 41. IC 20-3.1-15-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. To provide the board with the necessary flexibility and resources to carry out this article, the following apply:

(1) The board may eliminate or modify existing policies and create new policies, and alter policies from time to time, subject to this article and the plan developed under IC 20-3.1-7.

(2) IC 20-7.5 does not apply to matters set forth in this article. The matters set forth in this article may not be the subject of collective bargaining or discussion under IC 20-7.5.

(3) An exclusive representative certified under IC 20-7.5 to represent certified employees of the school city, or any other entity voluntarily recognized by the board as a representative of employees providing educational services in the schools, may bargain collectively only concerning salary, wages, and salary and



C
O
P
Y

1 wage related fringe benefits. The exclusive representative may not
 2 bargain collectively or discuss performance awards under
 3 IC 20-3.1-12.

4 (4) The board of school commissioners may waive the following
 5 statutes and rules for any school in the school city without the
 6 need for administrative, regulatory, or legislative approval:

7 (A) The following rules concerning curriculum and
 8 instructional time:

9 511 IAC 6.1-3-4

10 511 IAC 6.1-5-0.5

11 511 IAC 6.1-5-1

12 511 IAC 6.1-5-2.5

13 511 IAC 6.1-5-3.5

14 511 IAC 6.1-5-4

15 (B) The following rules concerning pupil/teacher ratios:

16 511 IAC 6-2-1(b)(2)

17 511 IAC 6.1-4-1

18 (C) The following statutes and rules concerning textbooks, and
 19 rules adopted under the statutes:

20 IC 20-10.1-9-1

21 IC 20-10.1-9-18

22 IC 20-10.1-9-21

23 IC 20-10.1-9-23

24 IC 20-10.1-9-27

25 IC 20-10.1-10-1

26 IC 20-10.1-10-2

27 511 IAC 6.1-5-5

28 (D) The following rules concerning school principals:

29 511 IAC 6-2-1(c)(4)

30 511 IAC 6.1-4-2

31 (E) 511 IAC 2-2, concerning school construction and
 32 remodeling.

33 (5) Notwithstanding any other law, a school city may do the
 34 following:

35 (A) Lease school transportation equipment to others for
 36 nonschool use when the equipment is not in use for a school
 37 city purpose.

38 (B) Establish a professional development and technology fund
 39 to be used for:

40 (i) professional development; or

41 (ii) technology, including video distance learning.

42 (C) Transfer funds obtained from sources other than state or

C
o
p
y



1 local government taxation among any account of the school
 2 corporation, including a professional development and
 3 technology fund established under clause (B).

4 (6) Transfer funds ~~obtained from property taxation~~ among the
 5 general fund (established under IC 21-2-11) and the school
 6 transportation fund (established under IC 21-2-11.5). ~~subject to~~
 7 ~~the following:~~

8 (A) ~~The sum of the property tax rates for the general fund and~~
 9 ~~the school transportation fund after a transfer occurs under this~~
 10 ~~subdivision may not exceed the sum of the property tax rates~~
 11 ~~for the general fund and the school transportation fund before~~
 12 ~~a transfer occurs under this clause.~~

13 (B) ~~However,~~ this clause subdivision does not allow a school
 14 corporation to transfer to any other fund money from the debt
 15 service fund (established under IC 21-2-4).

16 SECTION 42. IC 20-4-1-18 IS AMENDED TO READ AS
 17 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 18. (a) Whenever
 18 the creation of a community school corporation out of an existing
 19 corporation would involve no change in its territorial boundaries or in
 20 its board of school trustees or other governing body, other than a
 21 change, if any, in the time of election or appointment or the time the
 22 board members take office, and such creation is consistent with the
 23 standards set up pursuant to the provisions of this chapter as modified,
 24 if any, by the standards set out in this section, the state board may upon
 25 its own motion or upon petition of the governing body of the existing
 26 school corporation at any time with hearing in the county where such
 27 school corporation is located, after notice by publication at least once
 28 in one (1) newspaper of general circulation published in the county
 29 where such school corporation is located, at least ten (10) but not more
 30 than thirty (30) days prior to the date of such hearing and without
 31 action of the county committee declare such existing school
 32 corporation to be a community school corporation by adopting a
 33 resolution to this effect. Such existing school corporation shall qualify
 34 as to size and financial resources if it has an average daily attendance
 35 of two hundred seventy (270) or more, in grades nine (9) through
 36 twelve (12), or of one thousand (1000) or more, in grades one (1)
 37 through twelve (12), and has an assessed valuation per pupil of five
 38 thousand dollars (\$5,000) or more. For the purposes of this provision
 39 the following terms shall have the following meanings:

40 (1) "County tax" shall be a property tax which is levied at an
 41 equal rate in the entire county in which any school corporation is
 42 located, other than a tax qualifying as a county-wide tax within

C
O
P
Y



the meaning of Acts 1959, c.328, s.2, or any similar statute, and the net proceeds of which are distributed to school corporations in the county.

(2) "Assessed valuation" of any school corporation shall mean the net assessed value of its real and personal property as of March 1, 1964, adjusted in the same manner as such assessed valuation is adjusted for each county by the state board of tax commissioners under Acts 1949, c.247, s.5, as now or hereafter amended, unless such statute has been repealed or no longer provides for such adjustment. In the event a county has a county tax, then the assessed valuation of each school corporation in the county shall be increased by the amount of assessed valuation, if any, which would be required to raise an amount of money, equal to the excess of the amount distributed to any school corporation from the county tax over the amount collected from such county tax in such school corporation, using total taxes levied by such school corporation in terms of rate excluding the countywide tax under Acts 1959, c.328, s.2, or any similar statute, and including all other taxes levied by or for such school corporation, including but not limited to the county tax, bond fund levy, lease rental levy, library fund levy, special school fund levy, ~~tuition fund levy~~, capital projects fund levy, and special funds levies. Such increased valuation shall be based on the excess distributed to the school corporation from the county tax levied for the year 1964 and the total taxes levied for such year, or if the county tax is first applied or is raised for years after 1964, then the excess distributions and total taxes levied for the year in which such tax is first applied or raised. In the event such excess distribution and total taxes levied cannot be determined accurately on or prior to the adoption of the resolution provided in this section, excess distribution and taxes levied shall be estimated by the state board of tax commissioners using the last preceding assessed valuations and tax rates or such other information as they shall see fit, certifying such increased assessment to the state board prior to such time. In all cases, the excess distribution shall be determined upon the assumption that the county tax is one hundred percent (100%) collected and all collections are distributed.

(3) "Assessed valuation per pupil" of any school corporation means the assessed valuation of any such school corporation divided by its average daily attendance in grades one (1) through twelve (12).

(4) "Average daily attendance" in any school corporation shall

C
o
p
y



mean the average daily attendance of pupils who are residents in such school corporation and in the particular grades to which such term refers for the school year 1964-1965 in accordance with the applicable regulations of the state superintendent of public instruction, used in determining such average daily attendance in the distribution of the tuition funds by the state to its various school corporations where such funds are distributed on such basis and irrespective of whether such figures are the actual resident daily attendance of such school for the school year.

(b) Such community school corporation shall automatically come into being on either July 1 or January 1 following the date of such approval, whichever is earlier. The state board shall mail by certified United States mail, return receipt requested, a copy of such resolution certified by its director or its secretary to the recorder of the county from which the county committee having jurisdiction of such existing school corporation was appointed and to such county committee. Such resolution may change the time of election or appointment of the board members of such school corporation or the time such board members take office. The recorder shall without cost record such certified resolution in the miscellaneous records of the county. Such recording shall constitute a permanent record of the action of the state board and may be relied on by any person. Unless the resolution otherwise provides no interim board member shall be appointed, the board members in office on the date of such action shall continue to constitute the board of trustees of such school corporation until their successors are qualified, and the terms of their respective office and board membership shall remain unchanged except to the extent that such resolution otherwise provides. For all purposes under this chapter, community school corporation shall be regarded as a school corporation created under the provisions of section 22 of this chapter.

SECTION 43. IC 20-4-5-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9. Except as otherwise provided with respect to the power to issue bonds in section 10 of this chapter, said school board shall perform the duties and shall have all the powers vested in the school board or board of trustees of a school city of the class in which the consolidated school corporation would fall on the basis of its population according to the last preceding United States census under the statutes of this state, if it were organized as a school city. In the event, however, such consolidated school corporation has a population determined in such manner of less than two thousand (2,000), such school board shall perform the duties and shall have all the powers vested in the school board of a school town.



C
O
P
Y

1 The cost of maintaining such consolidated schools shall be borne by the
 2 consolidated school corporation as a ~~single tax~~ unit. ~~Taxes to meet such~~
 3 ~~cost shall be levied by said consolidated school board at a uniform and~~
 4 ~~equal rate on all the taxable property located within the limits of said~~
 5 ~~consolidated school corporation; and collected in the city or cities;~~
 6 ~~town or towns; township or townships in the same manner as other~~
 7 ~~taxes are levied and collected.~~

8 SECTION 44. IC 20-4-8-11 IS AMENDED TO READ AS
 9 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 11. (a) The board
 10 as above referred to shall make decisions pertaining to the general
 11 conduct of the schools which shall be enforced as entered upon the
 12 minutes recorded by the secretary of the board, and subject to
 13 provisions in this chapter otherwise, shall exercise all powers
 14 previously exercised under the law, by or through township trustees or
 15 meetings or petitions of the township trustees of the county, or county
 16 boards of education previously existing and such offices, namely,
 17 township trustee, county board or county boards of education insofar
 18 as the conduct of public schools is concerned are abolished as of noon
 19 on the day and date the county school corporation is created and comes
 20 into existence under this chapter.

21 (b) The county superintendent of schools and other persons
 22 employed for administrative or supervisory duties may be deemed to
 23 be supervisors of instruction.

24 (c) The government of the common schools of the county shall be
 25 vested in the board, and the board shall function with all the authority,
 26 powers, privileges, duties, and obligations previously granted to or
 27 required of school cities and their governing boards generally under the
 28 laws pertaining thereto with reference to the purchase of supplies,
 29 purchase and sale of buildings, grounds, and equipment, the erection
 30 of buildings, the employment and dismissal of school personnel, the
 31 insuring of property and employees, the levying and collecting of taxes,
 32 the making and executing of a budget, the borrowing of money, the
 33 paying of the salaries and expenses of the county superintendent and
 34 employees as approved by the board, shall be a body corporate and
 35 politic by the name and style of "The County School Corporation of
 36 _____ County, Indiana" with the right to prosecute and defend suits;
 37 and shall act in any manner necessary to the proper administration of
 38 the common schools of the county.

39 (d) School corporations shall be vested with all rights, titles, and
 40 interests of their respective predecessor township and town school
 41 corporations terminated; and in all the real, personal, and other
 42 property of any nature and from whatever source derived, and shall



1 assume, pay, and be liable for all the indebtedness, obligations, and
 2 liabilities and duties of the predecessor corporations from whatever
 3 source derived and however arising, and shall institute and defend suits
 4 arising out of aforesaid liabilities, obligations, duties, and rights
 5 assumed as a county school corporation.

6 (e) The treasurer, before entering upon the duties of his office, shall
 7 execute a bond to the acceptance of the county auditor in an amount
 8 equal to the largest sum of money that will be in the possession of the
 9 treasurer at any one (1) time, conditioned as an ordinary official bond,
 10 with a reliable surety company or at least two (2) sufficient freehold
 11 sureties, who shall not be members of such board, as surety or sureties
 12 on such bond. The president and the secretary shall each give bond,
 13 with like surety or sureties, to be approved by the county auditor, in the
 14 sum of one-fourth (1/4) of said amount. Boards of school trustees may
 15 purchase bonds from some reliable surety company and pay for them
 16 out of the special school revenue of their respective counties.

17 (f) The powers set forth in this section shall not be considered as or
 18 construed to limit the power and authority of such boards to the powers
 19 therein expressly conferred or to restrict or modify any powers or
 20 authority granted by any other law not in conflict with the provisions
 21 of this section.

22 (g) Every such board shall have the power annually to levy such
 23 amount of taxes as in the judgment of such board; made matter of
 24 record in its minutes; should be levied to produce income sufficient to
 25 conduct and carry on the common schools committed to such board;
 26 and It is made the duty of such board annually to levy a rate and levy
 27 that will produce a sum sufficient to meet all payments of principal and
 28 interest as they will mature in the year for which such levy is made on
 29 the bonds, notes, or other obligations of such board.

30 (h) The power of such board in so making to make tax levies shall
 31 be exercised within existing statutory limits and said levies shall be
 32 subject to the same review as school city levies.

33 SECTION 45. IC 20-4-8-21 IS AMENDED TO READ AS
 34 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 21. (a) The board
 35 as referred to in this chapter shall make decisions pertaining to the
 36 general conduct of the schools which shall be enforced as entered upon
 37 the minutes recorded by the secretary of the board, and, subject to this
 38 chapter, shall exercise all powers previously exercised under the law,
 39 by or through township trustees or meetings or petitions of the
 40 township trustees of the county, and/or or county boards of education
 41 previously existing, and such offices, namely township trustee, county
 42 board and/or or county boards of education insofar as the conduct of



1 public schools is concerned are hereby abolished as of noon on the day
 2 and date the metropolitan school district is created and comes into
 3 existence.

4 (b) The metropolitan superintendent of schools and other persons
 5 employed for administrative or supervisory duties may be deemed to
 6 be supervisors of instruction and as such eligible, subject to the rules
 7 that have been or shall be adopted by the **Indiana** state board of
 8 education, to qualify for teaching units in accordance with law.

9 (c) The government of the common schools of said district shall be
 10 vested in the board, and the board shall function with all the authority,
 11 powers, privileges, duties, and obligations previously granted to or
 12 required of school cities and their governing boards generally under the
 13 laws pertaining thereto with reference to the purchase of supplies,
 14 purchase and sale of buildings, grounds, and equipment, the erection
 15 of buildings, the employment and dismissal of school personnel, the
 16 insuring of property and employees, the levying and collecting of taxes;
 17 the making and executing of a budget, the borrowing of money, the
 18 paying of the salaries and expenses of the county superintendent and
 19 employees as approved by the board; shall be a body corporate and
 20 politic by the name and style of "The Metropolitan School District of
 21 _____, Indiana" with the right to prosecute and defend suits and
 22 shall act in any manner necessary to the proper administration of the
 23 common schools of the county.

24 (d) Such school districts shall be vested with all rights, titles, and
 25 interests of their respective predecessor township and town school
 26 corporations hereby terminated and in all the real, personal, and other
 27 property of any nature and from whatever source derived, and shall
 28 assume, pay, and be liable for all the indebtedness, obligations, and
 29 liabilities and duties of said predecessor corporations from whatever
 30 source derived and however arising and shall institute and defend suits
 31 arising out of aforesaid liabilities, obligations, duties, and rights
 32 assumed as a metropolitan school district.

33 (e) The treasurer, before entering upon the duties of his office, shall
 34 execute a bond to the acceptance of the county auditor which shall in
 35 no event be greater than the largest sum of money that will be in the
 36 possession of the treasurer at any one (1) time. The board of education
 37 may purchase said bond from a reliable surety company and pay for it
 38 out of the special school revenue of the metropolitan district.

39 (f) The powers set forth in this section shall not be considered as or
 40 construed to limit the power and authority of such boards to the powers
 41 therein expressly conferred or to restrict or modify any powers or
 42 authority granted by any other law not in conflict with the provisions

C
O
P
Y



1 of this section.

2 (g) Every such board shall have the power annually to levy such
3 amount of taxes as in the judgment of such board; made matter of
4 record in its minutes; should be levied to produce income sufficient to
5 conduct and carry on the common schools committed to such board;
6 ~~and~~ It is hereby made the duty of such board annually to levy a rate and
7 levy that will produce a sum sufficient to meet all payments of
8 principal and interest as they will mature in the year for which such
9 levy is made on the bonds, notes, or other obligations of such board.

10 (h) The power of such board ~~in so making to make~~ tax levies shall
11 be exercised within statutory limits and said levies shall be subject to
12 the same review as school city levies.

13 SECTION 46. IC 20-4-16-1 IS AMENDED TO READ AS
14 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. As used in this
15 chapter, the following terms shall have the following meanings:

16 (a) "City" or "town" shall be a city or town which conducts its
17 school as school city or school town or as part of a consolidated or
18 metropolitan school corporation.

19 (b) "Annexing school corporation" shall be the school corporation
20 of any city or town which annexes territory.

21 (c) "Original school corporation" shall be a school corporation from
22 whom territory is annexed.

23 (d) "Annexed territory" shall be the territory annexed from an
24 original school corporation by such city or town.

25 (e) "Tax receipts" shall be the amounts received from the tax levy
26 for the ~~tuition and~~ special school funds by the original school
27 corporation from the annexed territory.

28 SECTION 47. IC 20-5-4-6 IS AMENDED TO READ AS
29 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 6. If the
30 governing board shall find, by written resolution, that an emergency
31 exists which requires the expenditure of any money for any lawful
32 corporate purpose which was not included in its existing budget, ~~and~~
33 ~~tax levy~~; it may authorize the making of an emergency loan, **to be**
34 **repaid before the end of the following budget year**, which may be
35 evidenced by the issuance of its note or notes in the same manner and
36 subject to the same procedure and restrictions as provided for the
37 issuance of its bonds, except as to purpose. **Subject to IC 6-1.1-19-1.9,**
38 at the time for making the next annual budget and tax levy for such
39 school corporation, the governing body shall make a levy to the credit
40 of the fund for which such expenditure is made sufficient to pay such
41 debt and the interest thereon; however, the interest on the loan may be
42 paid from the debt service fund.



1 SECTION 48. IC 20-5-4-8 IS AMENDED TO READ AS
 2 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 8. (a) Whenever
 3 the governing board of a school corporation finds and declares that an
 4 emergency exists for the borrowing of money with which to pay current
 5 expenses from a particular fund before the receipt of ~~revenues from~~
 6 ~~taxes levied or state tuition support distributions~~ **money** for such fund,
 7 the governing board may issue warrants in anticipation of the receipt
 8 of said ~~revenues;~~ **money**.

9 (b) The principal of these warrants shall be payable solely from the
 10 fund ~~for which the taxes are levied that receives the loan proceeds~~ or
 11 from the general fund in the case of anticipated state tuition support
 12 distributions. ~~However,~~ The interest on these warrants may be paid
 13 from the debt service fund, from the fund ~~for which the taxes are~~
 14 ~~levied; that receives the loan proceeds,~~ or ~~from~~ the general fund in
 15 the case of anticipated state tuition support distributions.

16 (c) The amount of principal of temporary loans maturing on or
 17 before June 30 for any fund shall not exceed eighty percent (80%) of
 18 the amount of ~~taxes and state tuition support distributions~~ **the money**
 19 estimated to be ~~collected or~~ received for and distributed to the fund ~~at~~
 20 **not later than** the June settlement.

21 (d) The amount of principal of temporary loans maturing after June
 22 30, and on or before December 31, shall not exceed eighty percent
 23 (80%) of the amount of ~~taxes and state tuition support distributions~~
 24 **money** estimated to be ~~collected or~~ received ~~for and distributed to in~~
 25 the fund ~~at not later than~~ the December settlement.

26 (e) At each settlement, the amount of ~~taxes and state tuition support~~
 27 ~~distributions~~ **money** estimated to be ~~collected or~~ received ~~for and~~
 28 ~~distributed to in~~ the fund includes any allocations to the fund from the
 29 property tax replacement fund.

30 (f) The estimated amount of ~~taxes and state tuition support~~
 31 ~~distributions~~ **money** to be ~~collected or~~ received ~~and distributed~~ shall be
 32 made by the county auditor or the auditor's deputy. The warrants
 33 evidencing any loan in anticipation of ~~tax revenue or state tuition~~
 34 ~~support distributions~~ shall not be delivered to the purchaser of the
 35 warrant nor payment made on the warrant before January 1 of the year
 36 the loan is to be repaid. However, the proceedings necessary to the loan
 37 may be held and carried out before January 1 and before the approval.
 38 The loan may be made even though a part of the last preceding June or
 39 December settlement has not yet been received.

40 (g) Proceedings for the issuance and sale of warrants for more than
 41 one (1) fund may be combined, but separate warrants for each fund
 42 shall be issued and each warrant shall state on its face the fund from

C
O
P
Y



1 which its principal is payable. No action to contest the validity of such
 2 warrants shall be brought later than fifteen (15) days from the first
 3 publication of notice of sale.

4 (h) No issue of ~~tax or state tuition support~~ anticipation warrants
 5 shall be made if the aggregate of all these warrants ~~exceed~~ **exceeds**
 6 twenty thousand dollars (\$20,000) until the issuance is advertised for
 7 sale, bids received, and an award made by the governing board as
 8 required for the sale of bonds, except that the sale notice need not be
 9 published outside of the county nor more than ten (10) days before the
 10 date of sale.

11 SECTION 49. IC 20-5-13-9 IS AMENDED TO READ AS
 12 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9. (a) All school
 13 cities, school townships, school towns, and joint districts are hereby
 14 authorized to establish, equip, operate, and maintain school kitchens
 15 and school lunch rooms, for the improvement of the health of the
 16 school children attending school therein, and for the advancement of
 17 the educational work of their respective schools; to employ all
 18 necessary directors, assistants, and agents; and appropriate funds of
 19 such school corporations for such purpose. Such participation in a
 20 school lunch program pursuant to the provisions of this chapter shall
 21 be discretionary with the governing board of any school corporation.

22 (b) In the event that federal funds are not available for the purpose
 23 of carrying on a school lunch program, the state of Indiana shall not
 24 participate in such school lunch program and any money appropriated
 25 by the state of Indiana for such purpose, and not expended, shall
 26 immediately revert to the state general fund. Failure on the part of the
 27 state of Indiana to participate in the school lunch program shall not
 28 invalidate any appropriation made or school lunch program carried on
 29 by any school corporation by means of gifts or **other** money ~~raised by~~
 30 ~~tax levy pursuant to the provisions of this chapter~~ **available** for the
 31 purpose of such school lunch program.

32 SECTION 50. IC 20-5-17.5-2 (CURRENT VERSION) IS
 33 AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1,
 34 2000]: Sec. 2. (a) This subsection does not apply to a school
 35 corporation in a county having a population of more than two hundred
 36 thousand (200,000) but less than three hundred thousand (300,000).
 37 The governing body of a school corporation may annually **levy and**
 38 appropriate, from its general fund, a sum ~~of that does not more than~~
 39 **exceed the amount that would be raised by a property tax rate of**
 40 one and one-half cents (\$0.015) on each one hundred dollars (\$100) of
 41 assessed valuation in the school corporation to be paid to a historical
 42 society, subject to subsection (c).



C
O
P
Y

(b) This subsection applies only to a school corporation in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000). To provide funding for a historical society under this section, the governing body of a school corporation may impose a **property tax rate** of not more than one and one-half cents (\$0.015) on each one hundred dollars (\$100) of assessed valuation in the school corporation. ~~This tax is not subject to the tax levy limitations imposed on the school corporation by IC 6-1.1-19-1.5 or the provisions of IC 21-2-11-8.~~ The school corporation shall deposit the proceeds of the tax in a fund to be known as the historical society fund. The historical society fund is separate and distinct from the school corporation's general fund and may be used only for the purpose of providing funds for a historical society under this section. Subject to subsection (c), the governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to a historical society having facilities in the county.

(c) Before a historical society may receive payments under this section, its governing board must adopt a resolution that entitles:

- (1) the governing body of the school corporation to appoint its superintendent and one (1) of its history teachers as visitors, with the privilege of attending all meetings of the society's governing board;
- (2) the governing body of the school corporation to nominate two (2) persons for membership on the society's governing board;
- (3) the school corporation to use any of the society's facilities and equipment for educational purposes consistent with the society's purposes;
- (4) the students and teachers of the school corporation to tour the society's museum, if any, free of charge; and
- (5) the school corporation to borrow artifacts from the society's collection, if any, for temporary exhibit in the schools.

SECTION 51. IC 20-5-17.5-2 (DELAYED VERSION) IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2001]: Sec. 2. (a) This subsection does not apply to a school corporation in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000). The governing body of a school corporation may annually **levy and** appropriate, from its general fund, a sum ~~of that does not exceed the amount that would be raised by a property tax rate of~~ more than five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation to be paid to a historical society, subject to subsection (c).



(b) This subsection applies only to a school corporation in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000). To provide funding for a historical society under this section, the governing body of a school corporation may impose a **property tax rate** of not more than five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation. ~~This tax is not subject to the tax levy limitations imposed on the school corporation by IC 6-1.1-19-1.5 or the provisions of IC 21-2-11-8.~~ The school corporation shall deposit the proceeds of the tax in a fund to be known as the historical society fund. The historical society fund is separate and distinct from the school corporation's general fund and may be used only for the purpose of providing funds for a historical society under this section. Subject to subsection (c), the governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to a historical society having facilities in the county.

(c) Before a historical society may receive payments under this section, its governing board must adopt a resolution that entitles:

- (1) the governing body of the school corporation to appoint its superintendent and one (1) of its history teachers as visitors, with the privilege of attending all meetings of the society's governing board;
- (2) the governing body of the school corporation to nominate two (2) persons for membership on the society's governing board;
- (3) the school corporation to use any of the society's facilities and equipment for educational purposes consistent with the society's purposes;
- (4) the students and teachers of the school corporation to tour the society's museum, if any, free of charge; and
- (5) the school corporation to borrow artifacts from the society's collection, if any, for temporary exhibit in the schools.

SECTION 52. IC 20-5-17.5-3 (CURRENT VERSION) IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3. (a) This section applies to school corporations in a county containing a city having a population of:

- (1) more than one hundred fifty thousand (150,000) but less than five hundred thousand (500,000);
- (2) more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000);
- (3) more than one hundred ten thousand (110,000) but less than one hundred twenty thousand (120,000);



(4) more than ninety thousand (90,000) but less than one hundred ten thousand (110,000); or

(5) more than seventy-five thousand (75,000) but less than ninety thousand (90,000).

(b) In order to provide funding for an art association under this section, the governing body of a school corporation may impose a tax of not more than one and one-half cents (\$0.015) on each one hundred dollars (\$100) of assessed valuation in the school corporation. ~~This tax is not subject to the tax levy limitations imposed on the school corporation by IC 6-1.1-19-1.5 or the provisions of IC 21-2-11-8.~~

(c) The school corporation shall deposit the proceeds of the tax imposed under subsection (b) in a fund to be known as the art association fund. The art association fund is separate and distinct from the school corporation's general fund and may be used only for the purpose of providing funds for an art association under this section. The governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to an art association having facilities in a city that is listed in subsection (a), subject to subsection (d).

(d) Before an art association may receive payments under this section, its governing board must adopt a resolution that entitles:

(1) the governing body of the school corporation to appoint its superintendent and its director of art instruction as visitors, with the privilege of attending all meetings of the association's governing board;

(2) the governing body of the school corporation to nominate persons for membership on the association's governing board, with at least two (2) of the nominees to be elected;

(3) the school corporation to use any of the association's facilities and equipment for educational purposes consistent with the association's purposes;

(4) the students and teachers of the school corporation to tour the association's museum and galleries free of charge;

(5) the school corporation to borrow materials from the association for temporary exhibit in the schools;

(6) the teachers of the school corporation to receive normal instruction in the fine and applied arts at half the regular rates charged by the association; and

(7) the school corporation to expect such exhibits in the association's museum as will supplement the work of the students and teachers of the corporation.

A copy of the resolution, certified by the president and secretary of the

C
o
p
y



1 association, must be filed in the office of the school corporation before
2 payments may be received.

3 (e) A resolution filed under subsection (d) need not be renewed
4 from year to year but continues in effect until rescinded. An art
5 association that complies with this section is entitled to continue to
6 receive payments under this section as long as it so complies.

7 (f) Whenever more than one (1) art association in a city that is listed
8 in subsection (a) qualifies to receive payments under this section, the
9 governing body of the school corporation shall select the one (1) art
10 association best qualified to perform the services described by
11 subsection (c). A school corporation may select only one (1) art
12 association to receive payments under this section.

13 SECTION 53. IC 20-5-17.5-3 (DELAYED VERSION) IS
14 AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1,
15 2001]: Sec. 3. (a) This section applies to school corporations in a
16 county containing a city having a population of:

17 (1) more than one hundred fifty thousand (150,000) but less than
18 five hundred thousand (500,000);

19 (2) more than one hundred twenty thousand (120,000) but less
20 than one hundred fifty thousand (150,000);

21 (3) more than one hundred ten thousand (110,000) but less than
22 one hundred twenty thousand (120,000);

23 (4) more than ninety thousand (90,000) but less than one hundred
24 ten thousand (110,000); or

25 (5) more than seventy-five thousand (75,000) but less than ninety
26 thousand (90,000).

27 (b) In order to provide funding for an art association under this
28 section, the governing body of a school corporation may impose a tax
29 of not more than five-tenths of one cent (\$0.005) on each one hundred
30 dollars (\$100) of assessed valuation in the school corporation. ~~This tax~~
31 ~~is not subject to the tax levy limitations imposed on the school~~
32 ~~corporation by IC 6-1.1-19-1.5 or the provisions of IC 21-2-11-8.~~

33 (c) The school corporation shall deposit the proceeds of the tax
34 imposed under subsection (b) in a fund to be known as the art
35 association fund. The art association fund is separate and distinct from
36 the school corporation's general fund and may be used only for the
37 purpose of providing funds for an art association under this section.
38 The governing body of the school corporation may annually
39 appropriate the money in the fund to be paid in semiannual installments
40 to an art association having facilities in a city that is listed in subsection
41 (a), subject to subsection (d).

42 (d) Before an art association may receive payments under this



section, its governing board must adopt a resolution that entitles:

- (1) the governing body of the school corporation to appoint its superintendent and its director of art instruction as visitors, with the privilege of attending all meetings of the association's governing board;
- (2) the governing body of the school corporation to nominate persons for membership on the association's governing board, with at least two (2) of the nominees to be elected;
- (3) the school corporation to use any of the association's facilities and equipment for educational purposes consistent with the association's purposes;
- (4) the students and teachers of the school corporation to tour the association's museum and galleries free of charge;
- (5) the school corporation to borrow materials from the association for temporary exhibit in the schools;
- (6) the teachers of the school corporation to receive normal instruction in the fine and applied arts at half the regular rates charged by the association; and
- (7) the school corporation to expect such exhibits in the association's museum as will supplement the work of the students and teachers of the corporation.

A copy of the resolution, certified by the president and secretary of the association, must be filed in the office of the school corporation before payments may be received.

(e) A resolution filed under subsection (d) need not be renewed from year to year but continues in effect until rescinded. An art association that complies with this section is entitled to continue to receive payments under this section as long as it so complies.

(f) Whenever more than one (1) art association in a city that is listed in subsection (a) qualifies to receive payments under this section, the governing body of the school corporation shall select the one (1) art association best qualified to perform the services described by subsection (c). A school corporation may select only one (1) art association to receive payments under this section.

SECTION 54. IC 20-5-62-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 6. Except as provided in this chapter and notwithstanding any other law, a freeway school corporation or a freeway school may do the following during the contract period:

- (1) Disregard the observance of any statute or rule that is listed in the contract.
- (2) Lease school transportation equipment to others for nonschool



C
O
P
Y

1 use when the equipment is not in use for a school corporation
 2 purpose, if the lessee has not received a bid from a private entity
 3 to provide transportation equipment or services for the same
 4 purpose.

5 (3) Replace the budget and accounting system that is required by
 6 law with a budget or accounting system that is frequently used in
 7 the private business community. The state board of accounts may
 8 not go beyond the requirements imposed upon the state board of
 9 accounts by statute in reviewing the budget and accounting
 10 system used by a freeway school corporation or a freeway school.

11 (4) Establish a professional development and technology fund to
 12 be used for:

13 (A) professional development; or

14 (B) technology, including video distance learning.

15 (5) Transfer funds obtained from sources other than state or local
 16 government taxation among any accounts of the school
 17 corporation, including a professional development and technology
 18 fund established under subdivision (4).

19 (6) Transfer funds ~~obtained from property taxation and from state~~
 20 ~~distributions~~ among the general fund (established under
 21 IC 21-2-11) and the school transportation fund (established under
 22 IC 21-2-11.5). ~~subject to the following:~~

23 ~~(A) The sum of the property tax rates for the general fund and~~
 24 ~~the school transportation fund after a transfer occurs under this~~
 25 ~~subdivision may not exceed the sum of the property tax rates~~
 26 ~~for the general fund and the school transportation fund before~~
 27 ~~a transfer occurs under this subdivision.~~

28 ~~(B) However,~~ this subdivision does not allow a school
 29 corporation to transfer to any other fund money from the:

30 (i) (A) capital projects fund (established under IC 21-2-15);

31 or

32 (ii) (B) debt service fund (established under IC 21-2-4).

33 (7) Establish a locally adopted assessment program to replace the
 34 assessment of students under the ISTEP program established
 35 under IC 20-10.1-16-8, subject to the following:

36 (A) A locally adopted assessment program must be established
 37 by the governing body and approved by the department.

38 (B) A locally adopted assessment program may use a locally
 39 developed test or a nationally developed test.

40 (C) Results of assessments under a locally adopted assessment
 41 program are subject to the same reporting requirements as
 42 results under the ISTEP program.

C
O
P
Y



(D) Each student who completes a locally adopted assessment program and the student's parent or guardian has the same rights to inspection and rescoring as are set forth in IC 20-10.1-16-7(d).

SECTION 55. IC 20-8.1-6.1-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 8. (a) As used in this section, the following terms have the following meanings:

(1) "Class of school" refers to a classification of each school or program in the transferee corporation by the grades or special programs taught at the school. Generally, these classifications are denominated as kindergarten, elementary school, middle school or junior high school, high school, and special schools or classes, such as schools or classes for special education, vocational training, or career education.

(2) "ADM" means the following:

(A) For purposes of allocating to a transfer student state distributions under IC 21-1-30 (primetime), "ADM" as computed under IC 21-1-30-2.

(B) For all other purposes, "ADM" as set forth in IC 21-3-1.6-1.1.

(3) "Pupil enrollment" means the following:

(A) The total number of students in kindergarten through grade 12 who are enrolled in a transferee school corporation on a date determined by the Indiana state board of education.

(B) The total number of students enrolled in a class of school in a transferee school corporation on a date determined by the Indiana state board of education.

However, a kindergarten student shall be counted under clauses (A) and (B) as one-half (1/2) a student.

(4) "Special equipment" means equipment that during a school year:

(A) is used only when a child with disabilities is attending school;

(B) is not used to transport a child to or from a place where the child is attending school;

(C) is necessary for the education of each child with disabilities that uses the equipment, as determined under the individualized instruction program for the child; and

(D) is not used for or by any child who is not a child with disabilities.

The Indiana state board of education may select a different date for counts under subdivision (3). However, the same date shall be used for



all school corporations making a count for the same class of school.

(b) Each transferee corporation is entitled to receive for each school year on account of each transferred student, except a student transferred under section 3 of this chapter, transfer tuition from the transferor corporation or the state as provided in this chapter. Transfer tuition equals the amount determined under STEP THREE of the following formula:

STEP ONE: Allocate to each transfer student the capital expenditures for any special equipment used by the transfer student and a proportionate share of the operating costs incurred by the transferee school for the class of school where the transfer student is enrolled.

STEP TWO: If the transferee school included the transfer student in the transferee school's ADM for a school year, allocate to the transfer student a proportionate share of the following general fund revenues of the transferee school for, except as provided in clause (C), the calendar year in which the school year ends:

(A) The following state distributions that are computed in any part using ADM or other pupil count in which the student is included:

- (i) Primetime grant under IC 21-1-30.
- (ii) Tuition support for basic programs and at-risk weights under IC 21-3-1.7-8 (before January 1, 1996) and only for basic programs **under IC 21-3-1.7-9** (after December 31, ~~1995~~: **1999**).
- (iii) Enrollment growth grant under IC 21-3-1.7-9.5.
- (iv) At-risk grant under IC 21-3-1.7-9.7.
- (v) Academic honors diploma award under IC 21-3-1.7-9.8.
- (vi) Vocational education grant under IC 21-3-1.8-3.
- (vii) Special education grant under IC 21-3-1.8 (repealed January 1, 1996) or IC 21-3-10.
- (viii) The portion of the ADA flat grant that is available for the payment of general operating expenses under IC 21-3-4.5-2(b)(1).

(B) For school years beginning after June 30, 1997, property tax levies.

(C) For school years beginning after June 30, 1997, excise tax revenue (as defined in IC 21-3-1.7-2) received for deposit in the calendar year in which the school year begins.

(D) For school years beginning after June 30, 1997, allocations to the transferee school under IC 6-3.5.

STEP THREE: Determine the greater of:



1 (A) zero (0); or

2 (B) the result of subtracting the STEP TWO amount from the
3 STEP ONE amount.

4 If a child is placed in an institution or facility in Indiana under a court
5 order, the institution or facility shall charge the county office of the
6 county of the student's legal settlement under IC 12-19-7 for the use of
7 the space within the institution or facility (commonly called capital
8 costs) that is used to provide educational services to the child based
9 upon a prorated per student cost.

10 (c) Operating costs shall be determined for each class of school
11 where a transfer student is enrolled. The operating cost for each class
12 of school is based on the total expenditures of the transferee
13 corporation for the class of school from its general fund expenditures
14 as specified in the classified budget forms prescribed by the state board
15 of accounts. This calculation excludes:

16 (1) capital outlay;

17 (2) debt service;

18 (3) costs of transportation;

19 (4) salaries of board members;

20 (5) contracted service for legal expenses; and

21 (6) any expenditure which is made out of the general fund from
22 extracurricular account receipts;

23 for the school year.

24 (d) The capital cost of special equipment for a school year is equal
25 to:

26 (1) the cost of the special equipment; divided by

27 (2) the product of:

28 (A) the useful life of the special equipment, as determined
29 under the rules adopted by the Indiana state board of
30 education; multiplied by

31 (B) the number of students using the special equipment during
32 at least part of the school year.

33 (e) When an item of expense or cost described in subsection (c)
34 cannot be allocated to a class of school, it shall be prorated to all
35 classes of schools on the basis of the pupil enrollment of each class in
36 the transferee corporation compared to the total pupil enrollment in the
37 school corporation.

38 (f) Operating costs shall be allocated to a transfer student for each
39 school year by dividing:

40 (1) the transferee school corporation's operating costs for the class
41 of school in which the transfer student is enrolled; by

42 (2) the pupil enrollment of the class of school in which the



1 transfer student is enrolled.

2 When a transferred student is enrolled in a transferee corporation for
3 less than the full school year of pupil attendance, the transfer tuition
4 shall be calculated by the portion of the school year for which the
5 transferred student is enrolled. A school year of pupil attendance
6 consists of the number of days school is in session for pupil attendance.
7 A student, regardless of the student's attendance, is enrolled in a
8 transferee school unless the student is no longer entitled to be
9 transferred because of a change of residence, the student has been
10 excluded or expelled from school for the balance of the school year or
11 for an indefinite period, or the student has been confirmed to have
12 withdrawn from school. The transferor and the transferee corporation
13 may enter into written agreements concerning the amount of transfer
14 tuition due in any school year. Where an agreement cannot be reached,
15 the amount shall be determined by the Indiana state board of education,
16 and costs may be established, when in dispute, by the state board of
17 accounts.

18 (g) A transferee school shall allocate revenues described in
19 subsection (b) STEP TWO to a transfer student by dividing:

- 20 (1) the total amount of revenues received; by
21 (2) the ADM of the transferee school for the school year that ends
22 in the calendar year in which the revenues are received.

23 However, for state distributions under IC 21-1-30, IC 21-3-10, or any
24 other statute that computes the amount of a state distribution using less
25 than the total ADM of the transferee school, the transferee school shall
26 allocate the revenues to the transfer student by dividing the revenues
27 that the transferee school is eligible to receive in a calendar year by the
28 pupil count used to compute the state distribution.

29 (h) In lieu of the payments provided in subsection (b), the transferor
30 corporation or state owing transfer tuition may enter into a long term
31 contract with the transferee corporation governing the transfer of
32 students. This contract is for a maximum period of five (5) years with
33 an option to renew, and may specify a maximum number of pupils to
34 be transferred and fix a method for determining the amount of transfer
35 tuition and the time of payment, which may be different from that
36 provided in section 9 of this chapter.

37 (i) If the school corporation can meet the requirements of
38 IC 21-1-30-5, it may negotiate transfer tuition agreements with a
39 neighboring school corporation that can accommodate additional
40 students. Agreements under this section may be for one (1) year or
41 longer and may fix a method for determining the amount of transfer
42 tuition or time of payment that is different from the method, amount,



or time of payment that is provided in this section or section 9 of this chapter. A school corporation may not transfer a student under this section without the prior approval of the child's parent or guardian.

(j) ~~If a school corporation experiences a net financial impact with regard to transfer tuition that is negative for a particular school year as described in IC 6-1.1-19-5.1 the school corporation may appeal for an excessive levy as provided under IC 6-1.1-19-5.1.~~

SECTION 56. IC 20-8.1-6.5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 4. (a) Where a transfer is ordered to commence in a school year, where the transferor corporation has net additional costs over savings (on account of any transfer ordered) allocable to the calendar year in which the school year begins, and where the transferee corporation has no budgeted funds for such net additional costs, they may be recovered by one (1) or more of the following methods in addition to any other methods provided by applicable law:

(1) An emergency loan made pursuant to IC 20-5-4-6 to be paid, however, out of the debt service levy and fund, or a loan from any state fund made available therefor.

(2) An advance in such calendar year of state funds, which would otherwise become payable to the transferee corporation after such calendar year pursuant to applicable law.

(3) A grant or grants in such calendar year from any funds of the state made available therefor.

(b) The net additional costs shall be certified by the state board of tax commissioners and any grant shall be made solely after affirmative recommendation of the tax control board created by IC 6-1.1-19-4.1. Repayment of any advance or loan from the state shall be made in accordance with IC 6-1.1-19-4.5(d) **(repealed January 1, 2000) and IC 6-1.1-19-4.4(c).** The Use of any of the methods enumerated above shall not subject the transferor corporation to the provisions of IC 6-1.1-19-4.7 **(repealed January 1, 2000).**

SECTION 57. IC 20-8.1-6.5-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9. ~~Transportation Costs State Reimbursement.~~ Transportation costs for transferred students for each calendar year or for capital outlay and for operations shall be reimbursed by the state to the transferor corporation in the same percent of the total outlay which the distributions to the transferor corporation under IC 1971, 21-3-1.5-3, or from the state flat grant distribution account where it is credited to the general transportation fund constitute of its total annual general transportation fund appropriations for such year. In this calculation there shall be excluded



1 from ~~general~~ **transportation** fund appropriations capital outlay and
 2 debt service. and any expenditure which is made out of the general
 3 fund from extracurricular accounts. Any amount not thus reimbursed
 4 and raised as part of the transferor corporation's general fund levy shall
 5 constitute an increase in its base tax levy for such budget year, as
 6 otherwise defined and as applied in IC 6-1.1-1-16. and IC 6-1.1-1-19. In
 7 no event shall the state reimbursement for transportation operating
 8 expense to the transferor corporation be less than it would receive
 9 under applicable law without regard to this section.

10 SECTION 58. IC 20-8.1-7-18 IS AMENDED TO READ AS
 11 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 18. (a) Whenever
 12 the test required under section 17 of this chapter discloses that the
 13 hearing of any child is impaired and the child cannot be taught
 14 advantageously in regular classes, the governing body of the school
 15 corporation shall provide appropriate remedial measures and
 16 correctional devices. The governing body shall advise the child's
 17 parents of the proper medical care, attention, and treatment needed.
 18 The governing body shall provide approved mechanical auditory
 19 devices and prescribe courses in lip reading by qualified, competent
 20 and approved instructors. The superintendent of public instruction and
 21 the head of the rehabilitative services bureau of the division of
 22 disability, aging, and rehabilitative services shall cooperate with school
 23 corporations to provide this assistance; they shall also provide advice
 24 and information to assist school corporations in complying with this
 25 section. The local governing body may adopt rules and regulations for
 26 the administration of this section.

27 (b) Each school corporation may receive and accept bequests and
 28 donations for immediate use or as trusts or endowments to assist in
 29 meeting costs and expenses incurred in complying with the
 30 requirements of this section. When funds for the full payment of these
 31 expenses are not otherwise available, in any school corporation, any
 32 unexpended balance in the state treasury which is available for the use
 33 of local schools and is otherwise unappropriated may be loaned to the
 34 school corporation for that purpose by the governor. Any loan made by
 35 the governor under this section shall be repaid to the fund in the state
 36 treasury from which it came within two (2) years after the date it was
 37 advanced. These loans shall be repaid ~~through the levying of taxes in~~
 38 ~~the borrowing from funds available to the~~ school corporation. **If the**
 39 **advance is not repaid, the amount due may be withheld from the**
 40 **distribution of other state funds to the school corporation to which**
 41 **the advance is made.**

42 SECTION 59. IC 20-9.1-1-3 IS AMENDED TO READ AS



FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3. ~~Definition,~~
~~"Private School":~~ As used in this article, ~~the term~~ "private school"
means any school ~~which is not supported and maintained by funds~~
~~realized from the imposition of a tax on property, income or sales: that~~
is not a school corporation (as defined in IC 36-1-2-17).

SECTION 60. IC 20-10.1-6.5-1 IS AMENDED TO READ AS
FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. As used in this
chapter:

"Advancement fund" refers to the school technology advancement
account as created under section 4 of this chapter.

"Board" refers to the **Indiana** state board of education established
under IC 20-1-1-1.

"School corporation" ~~means any corporation authorized by law to~~
~~establish public schools and levy taxes for their maintenance: has the~~
meaning set forth in IC 36-1-2-17.

SECTION 61. IC 21-2-3.1-1 IS AMENDED TO READ AS
FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. This chapter
applies if a township board finds, at an annual or special meeting of the
board, that:

- (1) it is necessary to provide for the construction of a school
building; and
- (2) the cost of the building, or the proportional cost if it is a joint
graded high school building, will be in excess of the ~~sum~~
available from an annual levy: amount of available funds.

SECTION 62. IC 21-2-4-7 IS ADDED TO THE INDIANA CODE
AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
1, 1999]: **Sec. 7. A school corporation shall annually levy a sum**
sufficient to meet all payments of principal and interest on debt
service payable from the debt service fund as the payments mature.

SECTION 63. IC 21-2-5.6-3 IS AMENDED TO READ AS
FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 3. Subject to the
approval of the commissioner of the department of insurance, the
governing body of the school corporation may:

- (1) for eventual transfer to the self-insurance fund, include an
amount of money in
~~(A) the general fund budget; and~~
~~(B) the general fund tax levy and rate;~~
- (2) transfer monies from the general fund to the self-insurance
fund; or
- (3) appropriate monies from the general fund for the
self-insurance fund.

SECTION 64. IC 21-2-11-2 IS AMENDED TO READ AS



1 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 2. The governing body
 2 of each school corporation in the state of Indiana shall establish a
 3 general fund for the operation and maintenance of local schools. ~~and~~
 4 **The governing body shall levy a tax therefor in calendar years**
 5 **before January 1, 2000. Except as otherwise provided by statute,**
 6 all receipts and disbursements ~~heretofore authorized by law for school~~
 7 ~~funds and tax levies for the tuition fund; special school fund; special~~
 8 ~~fund; vocational fund; recreation fund; compulsory education fund;~~
 9 ~~school library fund; high school library fund; public employee's~~
 10 ~~retirement fund; operating fund; transportation tax and county wide~~
 11 ~~school tax shall on and after January 1, 1968; be received in and~~
 12 ~~disbursed from the general fund. For property taxes first due and~~
 13 **payable before January 1, 2000, the tax levy and rate for the general**
 14 **fund shall be established by the governing body of each school**
 15 **corporation. for the 1968 calendar year and all succeeding calendar**
 16 **years. Any balances of all the aforesaid funds on January 1, 1968 shall**
 17 **be transferred to the general fund. The general assembly declares**
 18 **that sufficient tax revenues and distributions will be provided after**
 19 **December 31, 1999, so that each school corporation will be eligible**
 20 **to receive for its general fund an amount that is at least equal to**
 21 **the amount that the school corporation received in the immediately**
 22 **preceding year.**

23 SECTION 65. IC 21-2-11-5 IS AMENDED TO READ AS
 24 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 5. Any self supporting
 25 programs maintained by any school corporation, including but not
 26 limited to school lunch and rental or sale of textbooks, may be
 27 established as separate funds, separate and apart from the general fund,
 28 if no **state distributions under IC 21-3-1.7 or local tax rate is**
 29 **established therefor: funds are involved.**

30 SECTION 66. IC 21-2-11-6 IS AMENDED TO READ AS
 31 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 6. Moneys received by
 32 any school corporation for a specific purpose or purposes, by gift,
 33 endowment, or pursuant to any federal statute, may be accounted for by
 34 establishing separate funds, separate and apart from the general fund,
 35 if no **state distributions under IC 21-3-1.7 or local tax funds are**
 36 **involved. Provided, That** No such funds shall be accepted unless the
 37 terms of the gift, endowment, or payment, and the acceptance thereof,
 38 are so stated that the officers of the school corporation are not divested
 39 of any right or authority which they ~~now have or may hereafter be~~ **are**
 40 granted by law. Such moneys so received for specific purposes, and any
 41 earnings thereon, may be disbursed without appropriation.

42 SECTION 67. IC 21-2-11.5-3 IS AMENDED TO READ AS



1 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3. (a) ~~Subject to~~
 2 ~~subsection (b); each~~ A school corporation may **not** levy for the calendar
 3 year a property tax for the school transportation fund's operating costs
 4 account. ~~sufficient to pay all operating costs attributable to~~
 5 ~~transportation that:~~

6 (1) are not paid from other revenues available to the fund as
 7 specified in section 4 of this chapter; and

8 (2) are listed in section 2(b)(1) through 2(b)(7) of this chapter.

9 (b) For taxes first due and payable in 1996, the property tax levy for
 10 the fund's operating costs account may not exceed the amount
 11 determined using the following formula:

12 STEP ONE: Determine the sum of the expenditures attributable
 13 to operating costs listed in section 2(b)(1) through 2(b)(7) of this
 14 chapter that were made by the school corporation as determined
 15 by the state board of tax commissioners for all operating costs
 16 attributable to transportation that are not paid from other revenues
 17 available to the fund for school years ending in 1993, 1994, and
 18 1995.

19 STEP TWO: Divide the amount determined in STEP ONE by
 20 three (3).

21 STEP THREE: Determine the greater of:

22 (A) the STEP TWO amount; or

23 (B) the school corporation's actual transportation fund levy
 24 attributable to operating costs for property taxes first due and
 25 payable in 1995.

26 STEP FOUR: Multiply the amount determined in STEP THREE
 27 by one and five-hundredths (1.05).

28 (c) For each year after 1996, the levy for the fund's operating
 29 account may not exceed the levy for the previous year multiplied by the
 30 assessed value growth quotient determined using the following
 31 formula:

32 STEP ONE: Determine the three (3) calendar years that most
 33 immediately precede the ensuing calendar year and in which a
 34 statewide general reassessment of real property does not first
 35 become effective.

36 STEP TWO: Compute separately, for each of the calendar years
 37 determined in STEP ONE, the quotient (rounded to the nearest
 38 ten-thousandth) of the school corporation's total assessed value of
 39 all taxable property in the particular calendar year, divided by the
 40 school corporation's total assessed value of all taxable property in
 41 the calendar year immediately preceding the particular calendar
 42 year.



1 STEP THREE: Divide the sum of the three (3) quotients
2 computed in STEP TWO by three (3):

3 STEP FOUR: Determine the greater of the result computed in
4 STEP THREE or one and five-hundredths (1.05):

5 STEP FIVE: Determine the lesser of the result computed in STEP
6 FOUR or one and one-tenth (1.1):

7 If the assessed values of taxable property used in determining a school
8 corporation's property taxes that are first due and payable in a
9 particular calendar year are significantly increased over the assessed
10 values used for the immediately preceding calendar year's property
11 taxes due to the settlement of litigation concerning the general
12 reassessment of that school corporation's real property, then for
13 purposes of determining that school corporation's assessed value
14 growth quotient for an ensuing calendar year, the state board of tax
15 commissioners shall replace the quotient described in STEP TWO for
16 that particular calendar year. The state board of tax commissioners
17 shall replace that quotient with one that as accurately as possible will
18 reflect the actual growth in the school corporation's assessed values of
19 real property from the immediately preceding calendar year to that
20 particular calendar year. The maximum property levy limit computed
21 under this section for the operating account shall be reduced to reflect
22 the transfer of costs from the operating account of the transportation
23 fund to the school bus replacement account of the transportation fund
24 under section 2(e) of this chapter. The total reduction in the operating
25 account maximum property tax levy may not exceed the amount of the
26 fair market lease value of the contracted transportation service
27 expenditures paid from the operating account before the transfer.

28 ~~(d)~~ Each (b) A school corporation may **not** levy for the calendar
29 year a tax for the school transportation fund's school bus replacement
30 account. ~~in accordance with the school bus acquisition plan adopted~~
31 ~~under section 3.1 of this chapter.~~

32 (e) The tax rate and levy shall be established as a part of the annual
33 budget for the calendar year in accord with IC 6-1.1-17.

34 SECTION 68. IC 21-2-11.5-3.1 IS AMENDED TO READ AS
35 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3.1. (a) Before a
36 governing body may collect property taxes for **make an expenditure**
37 **from** the school transportation fund's school bus replacement account
38 in a particular calendar year, the governing body must, after January 1
39 and not later than September 20 of the immediately preceding year for
40 all years before 1999 and not later than January 31 for 1999 and all
41 subsequent years.

42 (1) conduct a public hearing on; and



(2) pass a resolution to adopt;
a plan under this section.

(b) The state board of tax commissioners shall prescribe the format of the plan. A plan must apply to at least the ten (10) budget years immediately following the year the plan is adopted. A plan must at least include the following:

(1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the transportation fund's school bus replacement account.

(2) A presumption that the minimum useful life of a school bus is not less than ten (10) years.

(3) An identification of:

(A) the source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and

(B) the amount of ~~property taxes to be collected~~ **state distributions** in that year **for the account** and the unexpended balance to be retained in the account for expenditures proposed for a later year.

(4) If the school corporation is seeking to:

(A) acquire; or

(B) contract for transportation services that will provide; additional school buses or school buses with a larger seating capacity as compared to the number and type of school buses from the prior school year, evidence of a demand for increased transportation services within the school corporation. Clause (B) does not apply if contracted transportation services are not paid from the school bus replacement account.

(5) If the school corporation is seeking to:

(A) replace an existing school bus earlier than ten (10) years after the existing school bus was originally acquired; or

(B) require a contractor to replace a school bus; evidence that the need exists for the replacement of the school bus. Clause (B) does not apply if contracted transportation services are not paid from the school bus replacement account.

(6) Evidence that the school corporation that seeks to acquire additional school buses under this section is acquiring or contracting for the school buses only for the purposes specified in subdivision (4) or for replacement purposes.

(c) After reviewing the plan, the state board of tax commissioners shall certify its approval, disapproval, or modification of the plan to the governing body and the auditor of the county. The state board of tax commissioners may seek the recommendation of the school property



C
O
P
Y

1 tax control board with respect to this determination. The action of the
2 state board of tax commissioners with respect to the plan is final.

3 (d) The state board of tax commissioners may approve
4 appropriations from the transportation fund's school bus replacement
5 account only if the appropriations conform to a plan that has been
6 adopted in compliance with this section.

7 (e) A governing body may amend a plan adopted under this section.
8 When an amendment to a plan is required, the governing body must
9 declare the nature of and the need for the amendment and must show
10 cause as to why the original plan no longer meets the transportation
11 needs of the school corporation. The governing body must then conduct
12 a public hearing on and pass a resolution to adopt the amendment to the
13 plan. The plan, as proposed to be amended, must comply with the
14 requirements for a plan under subsection (b). This amendment to the
15 plan is not subject to the deadline for adoption described in subsection
16 (a). However, the amendment to the plan must be submitted to the state
17 board of tax commissioners for its consideration and is subject to
18 approval, disapproval, or modification in accordance with the
19 procedures for adopting a plan set forth in this section.

20 (f) If a public hearing is scheduled under this section, the governing
21 body shall publish a notice of the public hearing and the proposed plan
22 or amendment to the plan in accordance with IC 5-3-1-2(b).

23 SECTION 69. IC 21-2-11.5-4 IS AMENDED TO READ AS
24 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 4. ~~In addition to~~
25 ~~property tax collections~~, Receipts available for school transportation
26 from any other revenue source, including, but not limited to, state
27 distributions for transportation under IC 21-3-3.1, shall be received in
28 and disbursed from the school transportation fund to pay those
29 transportation costs described in section 2 of this chapter. An
30 expenditure may only be made if it has been provided for in the school
31 corporation's annual budget or by an additional appropriation under
32 IC 6-1.1-18-5.

33 SECTION 70. IC 21-2-11.5-5 IS ADDED TO THE INDIANA
34 CODE AS A NEW SECTION TO READ AS FOLLOWS
35 [EFFECTIVE JULY 1, 1999]: **Sec. 5. A school corporation shall**
36 **annually levy a sum sufficient to meet all payments of principal**
37 **and interest on obligations payable from the transportation fund**
38 **as the payments mature.**

39 SECTION 71. IC 21-2-15-15 IS ADDED TO THE INDIANA
40 CODE AS A NEW SECTION TO READ AS FOLLOWS
41 [EFFECTIVE JULY 1, 1999]: **Sec. 15. A school corporation shall**
42 **annually levy a sum sufficient to meet all payments of principal**

C
o
p
y



1 and interest on obligations payable from the capital projects fund
2 as the payments mature.

3 SECTION 72. IC 21-3-1.7-9 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 9. (a) Subject to the
5 amount appropriated by the general assembly, for tuition support, the
6 amount that a school corporation is entitled to receive in tuition support
7 for a year is the amount determined in section 8 of this chapter. the
8 following formula:

9 **STEP ONE:** Multiply the school corporation's ADM for the
10 year by five thousand dollars (\$5,000).

11 **STEP TWO:** Determine the sum of the following for the
12 school corporation in the year:

13 (1) The following distributions:

14 (A) Excise tax revenue.

15 (B) An amount equal to the amount that the department
16 of state revenue estimates that the school corporation
17 would have received in the school year under IC 6-3.5-9
18 if the school corporation had imposed the local income
19 tax for education at the rate of one and six-tenths
20 percent (1.6%) during the school year.

21 (2) The greater of:

22 (A) zero (0); or

23 (B) the result of the total transfer tuition payments
24 actually made on behalf of students transferring from
25 the school corporation minus the total revenue actually
26 received by the school corporation on behalf of students
27 transferring to the school corporation.

28 (3) Textbook fees and other fees and charges collected by
29 the school corporation.

30 **STEP THREE:** Determine the result of the STEP ONE
31 amount minus the STEP TWO result.

32 The department of education shall make distributions under this
33 subsection in twelve (12) monthly installments based on an estimate
34 of the actual receipts described in STEP TWO. The department of
35 education may reconcile overpayments and underpayments in any
36 month during the school year in which the distribution is due and
37 the next four (4) months after the end of the school year. The
38 department of education shall reconcile overpayments and
39 underpayments in a manner that minimizes the disruption of
40 distributions to a school corporation.

41 (b) If the total amount to be distributed as tuition support under this
42 chapter, for enrollment adjustment grants under section 9-5 of this



~~chapter, section~~ for at-risk programs under section 9.7 of this chapter, for academic honors diploma awards under section 9.8 of this chapter, and as special and vocational education grants under IC 21-3-1.8-3 or IC 21-3-10 for a particular year, exceeds

(1) ~~two billion six hundred fourteen million eight hundred thousand dollars (\$2,614,800,000) for 1997;~~

(2) ~~two billion seven hundred seventy-one million six hundred thousand dollars (\$2,771,600,000) in 1998; and~~

(3) ~~two billion nine hundred thirty-nine million two hundred thousand dollars (\$2,939,200,000) in 1999;~~

the amount **appropriated by the general assembly, the amount** to be distributed ~~for tuition support under this chapter~~ to each school corporation during each of the last six (6) months of the year shall be reduced by the same dollar amount per ADM ~~(as adjusted by IC 21-3-1.6-1.1)~~ so that the total reductions equal the amount of the excess.

(c) The amount distributed under this section shall be deposited in the general fund of the school corporation receiving the distribution. The school corporation shall transfer money received under this section from the general fund to the other funds of the school corporation in conformity with the budget approved by the state board of tax commissioners.

SECTION 73. IC 21-3-1.7-9.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 9.7. In addition to ~~the other state~~ distributions ~~under sections 8, 9.5, and 9.8 of this chapter~~ **provided by statute** for 1997 and thereafter, a school corporation is eligible for an amount for at-risk programs in the amount determined in STEP ~~SIX FIVE~~ of the following formula:

STEP STEP ONE: Determine the greater of the following:

(A) The result determined under item (ii) of the following formula:

(i) Determine the result of the school corporation's at-risk index minus two-tenths (0.2).

(ii) Multiply the item (i) result by seven-hundredths (0.07).

(B) Zero (0).

STEP TWO: Determine the greater of the following:

(A) The result determined under item (ii) of the following formula:

(i) Determine the result of the school corporation's at-risk index minus fifteen-hundredths (0.15).

(ii) Multiply the item (i) result by eighteen-hundredths (0.18).



1 (B) Zero (0).
 2 STEP THREE: Add the STEP ONE result and the STEP TWO
 3 result.
 4 STEP FOUR: Multiply the STEP THREE sum by the school
 5 corporation's current ADM. Round the result to the nearest
 6 one-hundredth (0.01).
 7 STEP FIVE: Multiply the STEP FOUR product by two thousand
 8 nine hundred fifty dollars (\$2,950) in 1998 and three thousand
 9 one hundred thirty-five dollars (\$3,135) in 1999.
 10 SECTION 74. IC 21-3-1.7-9.8 IS AMENDED TO READ AS
 11 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 9.8. (a) In addition to
 12 ~~the other state distributions under sections 8, 9.5, and 9.7 of this~~
 13 ~~chapter, provided by statute,~~ a school corporation is eligible for an
 14 honors diploma award in the amount determined under STEP TWO of
 15 the following formula:
 16 STEP ONE: Determine the number of the school corporation's
 17 eligible pupils who successfully completed an academic honors
 18 diploma program in the school year ending in the previous
 19 calendar year.
 20 STEP TWO: Multiply the STEP ONE amount by eight hundred
 21 dollars (\$800).
 22 (b) Each year the governing body of a school corporation may use
 23 the money that the school corporation receives for an honors diploma
 24 award under this section to give eight hundred dollars (\$800) to each
 25 eligible pupil in the school corporation who successfully completes an
 26 academic honors diploma program in the school year ending in the
 27 previous calendar year.
 28 SECTION 75. IC 21-4-20-1 IS AMENDED TO READ AS
 29 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 1. Whenever it is found
 30 by the board of school trustees or other proper authorities of any school
 31 city or school town that an emergency exists for the borrowing of
 32 money with which to meet the current expenses of the schools of such
 33 school town or school city, the board of school trustees or other proper
 34 authorities of such school city or school town may make temporary
 35 loans in anticipation of the current revenues of such school town or
 36 school city to an amount not exceeding fifty percent (50%) of the
 37 ~~amount of taxes actually levied and revenue~~ in the course of collection
 38 for the fiscal year in which such loans are made. Revenues shall be
 39 deemed to be current and taxes shall be deemed to have been actually
 40 levied and in the course of collection when the budget levy and rate
 41 shall have been finally approved by the state board of tax
 42 commissioners. ~~Provided, However, That~~ in all second and third class

C
O
P
Y



1 school cities, no such loans shall be borrowed in excess of the sum of
 2 twenty thousand dollars (\$20,000) until the letting of the same shall
 3 have been advertised once each week for two (2) successive weeks in
 4 two (2) newspapers of general circulation published in such school city,
 5 and until sealed bids have been submitted at a regular meeting of the
 6 school board of such school city, pursuant to such notices, stipulating
 7 the rate of interest to be charged by such bidder. ~~and Provided, further,~~
 8 ~~That~~ Such school loans shall be made with the bidder submitting the
 9 lowest rate of interest and submitting with his bid an affidavit showing
 10 that no collusion exists between himself and any other bidder for such
 11 loan.

12 SECTION 76. IC 21-10 IS ADDED TO THE INDIANA CODE AS
 13 A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,
 14 1999]:

15 **ARTICLE 10. EXPENDITURE LIMITATIONS**

16 **Chapter 1. Application; Definitions**

17 **Sec. 1.** This article applies to all school corporations (as defined
 18 in IC 36-1-2-17).

19 **Sec. 2.** This article applies only to budgets for a budget year
 20 beginning after December 31, 1999.

21 **Sec. 3.** The definitions in this chapter apply throughout this
 22 article.

23 **Sec. 4.** The definitions in IC 36-1-2 apply throughout this article.

24 **Sec. 5.** "General money" means revenue, including distributions
 25 from the state, that is subject to the expenditure limit under this
 26 article. The term does not include money from an exempted source
 27 (as defined in IC 21-10-2-8).

28 **Chapter 2. Expenditure Limitation**

29 **Sec. 1.** This chapter does not apply to the part of an
 30 appropriation that is funded from any of the following sources of
 31 revenue:

32 (1) Revenues received from the government of the United
 33 States.

34 (2) Revenues contributed by a governmental entity described
 35 in IC 36-1-7-1 to the school corporation to administer an
 36 interlocal agreement under IC 36-1-7 or another statute
 37 providing for a joint enterprise, if the revenues were either
 38 counted toward the expenditure limit of the political
 39 subdivision contributing the revenues or qualified as
 40 exempted source revenues for the political subdivision
 41 contributing the revenues.

42 (3) The proceeds of:



- 1 (A) contracts with; and
 2 (B) grants, gifts, donations, and bequests made to;
 3 the school corporation for a purpose specified by the
 4 contractor or donor.
 5 (4) User charges derived by the school corporation from the
 6 sale of a product or service:
 7 (A) pledged or legally available to repay any security; or
 8 (B) for which the quantity of the product or level of service
 9 provided to a user is at the discretion of the user.
 10 (5) Revenues derived from the issuance of any security.
 11 However, this subdivision does not exempt the money pledged
 12 to repay the principal of and interest on the security or to
 13 establish a reserve for repayment.
 14 (6) Revenues received from the sale of fixed assets or gains on
 15 fixed asset transfers.
 16 (7) Revenues raised to meet a fiscal emergency.
 17 (8) Unexpended appropriated balances remaining in a
 18 cumulative fund after the year in which the money was
 19 appropriated.
 20 Sec. 2. As used in this chapter, "adjustment factor" refers to the
 21 adjustment factor determined under section 17 of this chapter.
 22 Sec. 3. As used in this chapter, "appropriations" refers to the
 23 total capital or operating appropriations of a school corporation.
 24 The term includes the amount needed to meet the obligations of an
 25 allocation district. The term does not include debt service
 26 expenditures, emergency expenditures, or expenditures from an
 27 exempted source.
 28 Sec. 4. As used in this chapter, "base year" means:
 29 (1) a school corporation's first budget year beginning after
 30 June 30, 1999, if the term is used to compute the expenditure
 31 limit for a school corporation that was initially established
 32 before July 1, 1999; or
 33 (2) the first budget year in which a school corporation
 34 operated for an entire budget year, if subdivision (1) does not
 35 apply.
 36 Sec. 5. As used in this chapter, "base year per capita
 37 appropriations" refers to the base year per capita appropriations
 38 of a school corporation, as determined under section 18 of this
 39 chapter.
 40 Sec. 6. As used in this chapter, "estimated population" means
 41 the total number of individuals who are residents of a school
 42 corporation or an allocation district, as determined under section

C
O
P
Y

1 15 of this chapter.

2 Sec. 7. As used in this chapter, "expenditure limit" means the
3 maximum amount of appropriations that a school corporation or
4 an allocation district may appropriate for a budget year, as
5 determined under section 19 of this chapter. The term does not
6 refer to actual appropriations or actual expenditures.

7 Sec. 8. As used in this chapter, "exempted source" means a
8 source of revenue exempted from the application of this chapter
9 under section 1 of this chapter.

10 Sec. 9. As used in this chapter, "fiscal emergency" means
11 circumstances requiring an expenditure exceeding the expenditure
12 limit, as determined under section 28 of this chapter.

13 Sec. 10. As used in this chapter, "inflation index" means the
14 change in the general price level of goods and services as
15 determined under section 16 of this chapter.

16 Sec. 11. As used in this chapter, "revenues" means money
17 received by a school corporation or an allocation district from
18 interest, a tax, a penalty, a grant, a state distribution, or any other
19 receipt.

20 Sec. 12. As used in this chapter, "security" means any bond,
21 note, warrant, or other evidence of indebtedness, whether or not
22 the bond, note, warrant, or other evidence of indebtedness
23 constitutes a debt of the school corporation or allocation district
24 within the meaning of Article 13, Section 1 of the Constitution of
25 the State of Indiana.

26 Sec. 13. A school corporation may not appropriate, allot, or
27 expend in a budget year more than an amount equal to the
28 expenditure limit for the school corporation or as determined
29 under the latest computation made by the state board of tax
30 commissioners under section 14 of this chapter before the
31 beginning of the budget year.

32 Sec. 14. (a) Not later than six (6) months before the beginning of
33 a school corporation's budget year, the state board of tax
34 commissioners shall make a preliminary estimate of each of the
35 computations required under sections 15 through 26 of this chapter
36 for the school corporation.

37 (b) In order to:

- 38 (1) correct a clerical or computational error; or
39 (2) incorporate data that becomes available after the
40 preliminary estimate is computed under subsection (a);
41 the state board of tax commissioners may adjust a computation
42 under sections 15 through 26 of this chapter for a budget year at



any time before the first day of the budget year.

(c) Not later than five (5) business days after the state board of tax commissioners computes an estimate under subsection (a) or (b), the state board of tax commissioners shall distribute a copy of the estimate for a school corporation in a county to the school corporation and the county auditor for the county.

(d) If the total appropriations of a school corporation will exceed the latest expenditure limit computed under subsection (a) or (b) of this chapter, the school corporation or the state board of tax commissioners shall adjust the appropriations to comply with section 13 of this chapter.

Sec. 15. The state board of tax commissioners shall compute the estimated population in the budget year for each school corporation. The estimated population shall be estimated for the first day of the month preceding the budget year by six (6) months using the latest available actual or estimated population data from the Bureau of the Census of the United States Department of Commerce.

Sec. 16. (a) The state board of tax commissioners shall compute an inflation index for each school corporation's:

- (1) base year; and
- (2) next budget year.

(b) The inflation index shall be estimated for the first day of the month preceding the budget year by six (6) months using the implicit price deflator for the gross domestic product, or its closest equivalent, which is available from the United States Bureau of Economic Analysis.

Sec. 17. (a) The state board of tax commissioners shall compute the adjustment factor for each school corporation's:

- (1) base year; and
- (2) next budget year.

(b) The adjustment factor for the base year is equal to the result in STEP THREE of the following formula:

STEP ONE: Determine the estimated population for the base year.

STEP TWO: Determine the quotient of the inflation index for the base year divided by one hundred (100).

STEP THREE: Multiply the STEP ONE amount by the STEP TWO amount.

(c) The adjustment factor for a budget year after the base year is equal to the result in STEP FOUR of the following formula:

STEP ONE: Determine the estimated population for the

C
o
p
y



1 budget year.

2 **STEP TWO: Determine the quotient of:**

3 (A) the inflation index for the budget year minus the
4 inflation index for the base year; divided by

5 (B) one hundred (100).

6 **STEP THREE: Determine the lesser of:**

7 (A) four-tenths of one percent (0.4); or

8 (B) the greater of:

9 (i) zero (0); or

10 (ii) the STEP TWO result.

11 **STEP FOUR: Multiply the STEP ONE amount by the sum of**
12 **one (1) plus the STEP THREE result.**

13 **Sec. 18. The state board of tax commissioners shall compute the**
14 **base year per capita appropriations for each school corporation.**
15 **The base year per capita appropriations of a school corporation is**
16 **equal to the quotient of:**

17 (1) the total amount of appropriations actually expended by
18 a school corporation in the school corporation's base year;
19 divided by

20 (2) the adjustment factor for the base year.

21 **Sec. 19. (a) The state board of tax commissioners shall compute**
22 **the expenditure limit for each school corporation.**

23 (b) The expenditure limit for a school corporation in a year
24 after the base year is the result determined under STEP TWO of
25 the following formula:

26 **STEP ONE: Determine the base year per capita**
27 **appropriations of the school corporation.**

28 **STEP TWO: Multiply the STEP ONE result by the**
29 **adjustment factor for the school corporation's budget year.**

30 (c) The expenditure limit for a school corporation that has not
31 operated for at least one (1) full budget year is the total amount of
32 appropriations approved by the state board of tax commissioners
33 for that year.

34 **Sec. 20. If the Bureau of Economic Analysis of the United States**
35 **Department of Commerce, or its successor agency, changes the**
36 **base year on which it calculates the implicit price deflator for the**
37 **gross domestic product, the state board of tax commissioners shall**
38 **adjust the implicit price deflator for the gross domestic product**
39 **used in making the calculations under this chapter to compensate**
40 **for the change in the base year.**

41 **Sec. 21. If a school corporation transfers out or accepts the**
42 **responsibility of a program or service to or from another unit of**



1 government the expenditure limit and the base year per capita
 2 appropriations shall be decreased or increased correspondingly to
 3 reflect these changes.

4 Sec. 22. If a program or service administered by a school
 5 corporation that is totally or partially funded by the federal
 6 government ceases to be funded by the federal government, the
 7 school corporation may elect to fund the entire program or service,
 8 and the expenditure limitations shall be increased to reflect these
 9 changes.

10 Sec. 23. If a school corporation transfers the funding source of
 11 a program or service from taxes to user charges or other exempted
 12 revenue sources as specified in this chapter, the expenditure limit
 13 shall be decreased to reflect these changes.

14 Sec. 24. If a school corporation transfers programs or services
 15 that are funded by exempted sources to programs or services that
 16 are funded by money subject to this chapter, the expenditure
 17 limitation shall be increased to reflect these changes.

18 Sec. 25. If a school corporation transfers revenues from sources
 19 exempt under this chapter to funds containing revenues from
 20 nonexempt sources, the revenues transferred become part of and
 21 subject to the expenditure limit of this chapter.

22 Sec. 26. If a school corporation is initially created in a county
 23 after June 30, 1999, the expenditure limits of all school
 24 corporations shall be proportionally reduced so that the sum of the
 25 expenditure limits for all of the school corporations in the county
 26 is the same before and after the establishment of the new school
 27 corporation. However, with the consent of the fiscal body of each
 28 school corporation in the county, the state board of tax
 29 commissioners may use a different formula for adjusting the
 30 expenditure limits of the school corporations in the county.

31 Sec. 27. With the consent of the fiscal body of each affected
 32 school corporation, the state board of tax commissioners may
 33 lower the expenditure limit of one (1) or more school corporations
 34 and raise the expenditure limit of one (1) or more other school
 35 corporations by the same total amount.

36 Sec. 28. (a) The limits as provided in this chapter may be
 37 exceeded if:

- 38 (1) a fiscal emergency is declared by at least a two-thirds (2/3)
- 39 vote of the governing body of the school corporation; and
- 40 (2) the state board of tax commissioners approves the
- 41 declaration of a fiscal emergency.

42 (b) A political subdivision may petition the state board of tax



commissioners to approve a declaration of a fiscal emergency for the school corporation. The petition must describe the fiscal emergency and indicate the source of revenues that will be used to meet the fiscal emergency. After giving at least ten (10) days notice to the school corporation and the county auditor for the county containing the school corporation and publishing at least one (1) notice under IC 5-3-1 in the county, the state board of tax commissioners shall conduct a hearing concerning the petition.

(c) After the hearing under subsection (b), the state board of tax commissioners shall approve a declaration of a fiscal emergency only if the state board of tax commissioners determines that:

(1) an extraordinary occurrence requires immediate expenditures; or

(2) a shortfall of revenues will result in default on the repayment of principal or interest on an indebtedness.

(d) Payment of expenses directly related to elimination of an ad valorem property tax system, including the costs of refinancing bonds or leases and settling disputes related to bonds or leases, shall be treated as a fiscal emergency.

(e) The state board of tax commissioners shall approve the sources that the school corporation may use to pay for the fiscal emergency. If the state board of tax commissioners authorizes a distribution from the political subdivision's account in the state emergency reserve fund established by IC 21-10-3-1, the auditor of state shall make the disbursement to the school corporation in the amount approved by the state board of tax commissioners. The school corporation shall reimburse the school corporation's account in the state emergency reserve fund for the distribution under the schedule determined by the state board of tax commissioners. Reimbursement of the state emergency reserve fund may be treated as a fiscal emergency.

Sec. 29. Funding for fiscal emergencies may not be included in the appropriations base for computing the expenditure limit for appropriations in subsequent years. Fiscal emergency appropriations shall remain separate from appropriations subject to limits imposed by this chapter and shall be assigned expiration dates.

Sec. 30. If upon audit or examination of the results of an audit of a school corporation the state board of accounts determines that:

(1) funds have been improperly accounted or budgeted for in order to avoid the limitations imposed by this chapter;



(2) funds have been improperly exempted from the limitations as provided in this chapter;

(3) general governmental functions have been improperly financed by user or service charges; or

(4) the limitations imposed by this chapter have been exceeded;

the state board of accounts shall notify the state board of tax commissioners and the school corporation through the appropriate officer or officers of necessary corrective action. If after a reasonable time the school corporation has not corrected the deficiency, the state board of accounts shall refer the matter to the attorney general.

Chapter 3. State School Reserve Fund

Sec. 1. (a) A state school reserve fund is established. The budget agency shall administer the fund. Money in the fund at the end of a state fiscal year does not revert to the state general fund.

(b) An account in a state school reserve fund is established for each school corporation.

(c) During each budget year, without an appropriation, each school corporation shall transfer to the state for deposit in the state school reserve fund all money that is received by the school corporation in excess of the lesser of the:

(1) expenditure limit; or

(2) budget;

of the school corporation.

(d) A school corporation may appropriate other money for deposit in the state school reserve fund.

Sec. 2. Deposits in an account of the state school reserve fund shall be made at the end of each quarter based on projections of general money and the expenditure limit. A school corporation may transfer money out of the school corporation's account in the state school reserve fund as approved by the state board of tax commissioners.

Sec. 3. A school corporation may receive money from the school corporation's account in the state school reserve fund only to meet a fiscal emergency, as determined and approved under IC 21-10-2.

Sec. 4. Except as ordered by the state board of tax commissioners, a school corporation shall maintain a balance of at least ten percent (10%) of the amount budgeted for the latest budget approved by the state board of tax commissioners in the school corporation's account in the fund.

SECTION 77. IC 32-9-1.5-16 IS AMENDED TO READ AS



FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 16. For purposes of section 49 of this chapter, "political subdivision" includes any Indiana municipality, county, civil township, civil incorporated city or town, **public** school corporation (**as defined in IC 36-1-2-17**), university or college supported in part by state funds, or any other territorial subdivision of the state recognized or designated in any law, including judicial circuits, a public utility entity not privately owned, special taxing district or entity, and public improvement district authority or entity authorized to levy taxes or assessments. The term does not include any retirement system supported entirely or in part by the state.

SECTION 78. IC 36-1-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 2. "Bonds" means any evidences of indebtedness, whether payable from property taxes, revenues, or any other source. ~~but~~ **However, the term** does not include notes or warrants representing temporary loans that are payable out of:

- (1) taxes levied and in the course of collection; **or**
- (2) **other deposits in the general fund or transportation fund of a school corporation.**

SECTION 79. IC 36-1.3 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]:

ARTICLE 1.3. EXPENDITURE LIMITATIONS

Chapter 1. Application

Sec. 1. This article applies to budgets for all budget years beginning after December 31, 1999.

Sec. 2. This article applies to all appropriations made by a political subdivision except:

- (1) appropriations by a school corporation for school purposes;
- (2) appropriations for police and fire services;
- (3) appropriations under IC 12-19; and
- (4) appropriations from exempted sources (as defined in IC 36-1.3-2-8).

Chapter 2. Expenditure Limitation

Sec. 1. This chapter does not apply to the part of an appropriation that is funded from any of the following sources of revenue:

- (1) Distributions from the motor vehicle highway account established by IC 8-14-1.
- (2) Distributions from the highway, road, and street fund established by IC 8-14-2-2.1.
- (3) Distributions from the pension relief fund established by



IC 5-10.3-11.

(4) Revenues received from the government of the United States.

(5) Revenues contributed by a governmental entity described in IC 36-1-7-1 to the political subdivision to administer an interlocal agreement under IC 36-1-7 or another statute providing for a joint enterprise, if the revenues were either counted toward the expenditure limit of the political subdivision contributing the revenues or qualified as exempted source revenues for the political subdivision contributing the revenues.

(6) The proceeds of:

(A) contracts with; and

(B) grants, gifts, donations, and bequests made to; the political subdivision for a purpose specified by the contractor or donor.

(7) User charges derived by the political subdivision from the sale of a product or service:

(A) pledged or legally available to repay any security; or

(B) for which the quantity of the product or level of service provided to a user is at the discretion of the user.

(8) Revenues derived from the issuance of any security. However, this subdivision does not exempt the money pledged to repay the principal of and interest on the security or to establish a reserve for repayment.

(9) Revenues received from the sale of fixed assets or gains on fixed asset transfers.

(10) Revenues raised to meet a fiscal emergency.

(11) Revenues collected from a local option income tax imposed under IC 6-3.5-9.

(12) Unexpended appropriated balances remaining in a cumulative fund after the year in which the money was appropriated.

(13) Special benefit taxes imposed in conformity with IC 6-10-5.

(14) Property taxes imposed under IC 12-19 or for police and fire services.

Sec. 2. As used in this chapter, "adjustment factor" refers to the adjustment factor determined under section 17 of this chapter.

Sec. 3. As used in this chapter, "appropriations" refers to the total capital or operating appropriations of a political subdivision. The term includes the amount needed to meet the obligations of an



allocation district. The term does not include debt service expenditures, emergency expenditures, or expenditures from an exempted source.

Sec. 4. As used in this chapter, "base year" means:

(1) a political subdivision's first budget year beginning after December 31, 1998, if the term is used to compute the expenditure limit for a political subdivision that was initially established before January 1, 1999; or

(2) the first budget year in which a political subdivision operated for an entire budget year, if subdivision (1) does not apply.

Sec. 5. As used in this chapter, "base year per capita appropriations" refers to the base year per capita appropriations of a political subdivision, as determined under section 18 of this chapter.

Sec. 6. As used in this chapter, "estimated population" means the total number of individuals who are residents of a political subdivision or an allocation district, as determined under section 15 of this chapter.

Sec. 7. As used in this chapter, "expenditure limit" means the maximum amount of appropriations that a political subdivision or an allocation district may appropriate for a budget year, as determined under section 19 of this chapter. The term does not refer to actual appropriations or actual expenditures.

Sec. 8. As used in this chapter, "exempted source" means a source of revenue exempted from the application of this chapter under section 1 of this chapter.

Sec. 9. As used in this chapter, "fiscal emergency" means circumstances requiring an expenditure exceeding the expenditure limit, as determined under section 28 of this chapter.

Sec. 10. As used in this chapter, "inflation index" means the change in the general price level of goods and services as determined under section 16 of this chapter.

Sec. 11. As used in this chapter, "revenues" means money received by a political subdivision or an allocation district from interest, a tax, a penalty, a grant, a state distribution, or any other receipt.

Sec. 12. As used in this chapter, "security" means a bond, note, warrant, or other evidence of indebtedness, whether the bond, note, warrant, or other evidence of indebtedness constitutes a debt of the political subdivision or allocation district within the meaning of Article 13, Section 1 of the Constitution of the State of Indiana.



1 **Sec. 13.** A political subdivision may not appropriate, allot, or
 2 expend in a budget year more than an amount equal to the
 3 expenditure limit for the political subdivision or as determined
 4 under the latest computation made by the state board of tax
 5 commissioners under section 14 of this chapter before the
 6 beginning of the budget year.

7 **Sec. 14.** (a) Not later than six (6) months before the beginning of
 8 a political subdivision's budget year, the state board of tax
 9 commissioners shall make a preliminary estimate of each of the
 10 computations required under sections 15 through 26 of this chapter
 11 for the political subdivision.

12 (b) In order to:

13 (1) correct a clerical or computational error; or

14 (2) incorporate data that becomes available after the
 15 preliminary estimate is computed under subsection (a);
 16 the state board of tax commissioners may adjust a computation
 17 under sections 15 through 26 of this chapter for a budget year at
 18 any time before the first day of the budget year.

19 (c) Not later than five (5) business days after the state board of
 20 tax commissioners computes an estimate under subsection (a) or
 21 (b), the state board of tax commissioners shall distribute a copy of
 22 the estimate for a political subdivision in a county to the political
 23 subdivision and the county auditor.

24 (d) If the total appropriations of a political subdivision will
 25 exceed the latest expenditure limit computed under subsection (a)
 26 or (b) of this chapter, the political subdivision or the state board of
 27 tax commissioners shall adjust the appropriations to comply with
 28 section 13 of this chapter.

29 **Sec. 15.** The state board of tax commissioners shall compute an
 30 estimated population in the budget year for each political
 31 subdivision. The estimated population shall be estimated for the
 32 first day of the month preceding the budget year by six (6) months
 33 using the latest available actual or estimated population data from
 34 the Bureau of the Census of the United States Department of
 35 Commerce.

36 **Sec. 16.** (a) The state board of tax commissioners shall compute
 37 an inflation index for each political subdivision's:

38 (1) base year; and

39 (2) next budget year.

40 (b) The inflation index shall be estimated for the first day of the
 41 month preceding the budget year by six (6) months using the
 42 implicit price deflator for the gross domestic product, or its closest



equivalent, which is available from the United States Bureau of Economic Analysis.

Sec. 17. (a) The state board of tax commissioners shall compute an adjustment factor for each political subdivision's:

(1) base year; and

(2) next budget year.

(b) The adjustment factor for the base year is equal to the result in STEP THREE of the following formula:

STEP ONE: Determine the estimated population for the base year.

STEP TWO: Determine the quotient of the inflation index for the base year divided by one hundred (100).

STEP THREE: Multiply the STEP ONE amount by the STEP TWO amount.

(c) The adjustment factor for a budget year after the base year is equal to the result in STEP FOUR of the following formula:

STEP ONE: Determine the estimated population for the budget year.

STEP TWO: Determine the quotient of:

(A) the inflation index for the budget year minus the inflation index for the base year; divided by

(B) one hundred (100).

STEP THREE: Determine the lesser of:

(A) four-tenths of one percent (0.4); or

(B) the greater of:

(i) zero (0); or

(ii) the STEP TWO result.

STEP FOUR: Multiply the STEP ONE amount by the sum of one (1) plus the STEP THREE result.

Sec. 18. The state board of tax commissioners shall compute a base year per capita appropriations for each political subdivision. The base year per capita appropriations of a political subdivision is equal to the quotient of:

(1) the total amount of appropriations actually expended by a political subdivision in the political subdivision's base year; divided by

(2) the adjustment factor for the base year.

Sec. 19. (a) The state board of tax commissioners shall compute an expenditure limit for each political subdivision.

(b) The expenditure limit for a political subdivision in a year after the base year is the result determined under STEP TWO of the following formula:



1 **STEP ONE:** Determine the base year per capita
2 appropriations of the political subdivision.

3 **STEP TWO:** Multiply the STEP ONE result by the
4 adjustment factor for the political subdivision's budget year.

5 (c) The expenditure limit for a political subdivision that has not
6 operated for at least one (1) full budget year is the total amount of
7 appropriations approved by the state board of tax commissioners
8 for that year.

9 **Sec. 20.** If the Bureau of Economic Analysis of the United States
10 Department of Commerce, or its successor agency, changes the
11 base year on which it calculates the implicit price deflator for the
12 gross domestic product, the state board of tax commissioners shall
13 adjust the implicit price deflator for the gross domestic product
14 used in making the calculations under this chapter to compensate
15 for the change in the base year.

16 **Sec. 21.** If a political subdivision transfers or accepts the
17 responsibility of a program or service to or from another unit of
18 government, the expenditure limit and the base year per capita
19 appropriations shall be decreased or increased correspondingly to
20 reflect the changes.

21 **Sec. 22.** If a program or service administered by a political
22 subdivision that is totally or partially funded by the federal
23 government ceases to be funded by the federal government, the
24 political subdivision may elect to fund the entire program or
25 service, and the expenditure limitations shall be increased to reflect
26 these changes.

27 **Sec. 23.** If a political subdivision transfers the funding source of
28 a program or service from taxes to user charges or other exempted
29 revenue sources as specified in this chapter, the expenditure limit
30 shall be decreased to reflect these changes.

31 **Sec. 24.** If a political subdivision transfers programs or services
32 that are funded by exempted sources to programs or services that
33 are funded by money subject to this chapter, the expenditure
34 limitation shall be increased to reflect these changes.

35 **Sec. 25.** If a political subdivision transfers revenues from
36 sources exempt under this chapter to funds containing revenues
37 from nonexempt sources, the revenues transferred shall be part of
38 and subject to the expenditure limit of this chapter.

39 **Sec. 26.** If a political subdivision is initially created in a county
40 after December 31, 1999, the expenditure limits of all political
41 subdivisions shall be proportionally reduced so that the sum of the
42 expenditure limits for all of the political subdivisions in the county

C
O
P
Y



1 is the same before and after the establishment of the new political
 2 subdivision. However, with the consent of the fiscal body of the
 3 county and each city and town in the county, the state board of tax
 4 commissioners may use a different formula for adjusting the
 5 expenditure limits of the political subdivisions in the county.

6 Sec. 27. With the consent of the fiscal body of each affected
 7 political subdivision, the state board of tax commissioners may
 8 lower the expenditure limit of one (1) or more political subdivisions
 9 and raise the expenditure limit of one (1) or more other political
 10 subdivisions by the same total amount.

11 Sec. 28. (a) The limits as provided in this chapter may be
 12 exceeded if:

13 (1) a fiscal emergency is declared by at least a two-thirds (2/3)
 14 vote of the fiscal body of the political subdivision; and

15 (2) the state board of tax commissioners approves the
 16 declaration of a fiscal emergency.

17 (b) A political subdivision may petition the state board of tax
 18 commissioners to approve a declaration of a fiscal emergency for
 19 the political subdivision. The petition must describe the fiscal
 20 emergency and indicate the source of revenues that will be used to
 21 meet the fiscal emergency. After giving at least ten (10) days notice
 22 to the political subdivision and the county auditor for the county
 23 containing the political subdivision and publishing at least one (1)
 24 notice under IC 5-3-1 in the county, the state board of tax
 25 commissioners shall conduct a hearing concerning the petition.

26 (c) After the hearing under subsection (b), the state board of tax
 27 commissioners shall approve a declaration of a fiscal emergency
 28 only if the state board of tax commissioners determines that:

29 (1) an extraordinary occurrence requires immediate
 30 expenditures; or

31 (2) a shortfall of revenues will result in default on the
 32 repayment of principal or interest on an indebtedness.

33 (d) Payment of expenses directly related to elimination of an ad
 34 valorem property tax system, including the costs of refinancing
 35 bonds or leases and settling disputes related to bonds or leases,
 36 shall be treated as a fiscal emergency. The political subdivision
 37 shall reimburse the political subdivision's account in the state
 38 emergency reserve fund for the distribution under the schedule
 39 determined by the state board of tax commissioners.
 40 Reimbursement of the state emergency reserve fund may be
 41 treated as a fiscal emergency.

42 Sec. 29. Funding for fiscal emergencies may not be included in



C
O
P
Y

the appropriations base for computing the expenditure limit for appropriations in subsequent years. Fiscal emergency appropriations must remain separate from appropriations subject to limits imposed by this chapter and shall be assigned expiration dates.

Sec. 30. If upon audit or examination of the results of an audit of a political subdivision, the state board of accounts determines that:

- (1) funds have been improperly accounted or budgeted for in order to avoid the limitations imposed by this chapter;
- (2) funds have been improperly exempted from the limitations as provided in this chapter;
- (3) general governmental functions have been improperly financed by user or service charges; or
- (4) the limitations imposed by this chapter have been exceeded;

the state board of accounts shall notify the state board of tax commissioners and the political subdivision through the appropriate officer or officers of necessary corrective action. If after a reasonable time the political subdivision has not corrected the deficiency, the state board of accounts shall refer the matter to the attorney general.

SECTION 80. IC 36-7-15.1-26.9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 26.9. (a) The definitions set forth in section 26.5 of this chapter apply to this section.

(b) The fiscal officer of the consolidated city shall publish in the newspaper in the county with the largest circulation all determinations made under section 26.5 or 26.7 of this chapter that result in the allowance or disallowance of credits. The publication of a determination made under section 26.5 of this chapter shall be made not later than June 20 of the year in which the determination is made. The publication of a determination made under section 26.7 of this chapter shall be made not later than December 5 of the year in which the determination is made.

(c) If credits are granted under section 26.5(g) or 26.5(h) of this chapter, whether in whole or in part, property taxes on personal property (as defined in IC 6-1.1-1-11) that are equal to the aggregate amounts of the credits for all taxpayers in the allocation area under section 26.5(g) and 26.5(h) of this chapter shall be:

- (1) allocated to the redevelopment district;
- (2) paid into the special fund for that allocation area; and
- (3) used for the purposes specified in section 26 of this chapter.



(d) The county auditor shall adjust the estimate of assessed valuation that the auditor certifies under IC 6-1.1-17-1 for all taxing units in which the allocation area is located. The county auditor may amend this adjustment at any time before the earliest date a taxing unit must publish the unit's proposed property tax rate under IC 6-1.1-17-3 in the year preceding the year in which the credits under section 26.5(g) or 26.5(h) of this chapter are paid. The auditor's adjustment to the assessed valuation shall be:

(1) calculated to produce an estimated assessed valuation that will offset the effect that paying personal property taxes into the allocation area special fund under subsection (c) would otherwise have on the ability of a taxing unit to achieve the taxing unit's tax levy in the following year; and

(2) used by the county board of tax adjustment, the state board of tax commissioners, and each taxing unit in determining each taxing unit's tax rate and tax levy in the following year.

(e) The amount by which a taxing unit's levy is adjusted as a result of the county auditor's adjustment of assessed valuation under subsection (d), and the amount of the levy that is used to make direct payments to taxpayers under section 26.5(h) of this chapter, is not part of the total county tax levy under IC 6-1.1-21-2(g) and is not subject to IC 6-1.1-20.

(f) The ad valorem property tax levy limits imposed by IC 6-1.1-18.5-3 and ~~IC 6-1.1-19-1.5~~ do not apply to ad valorem property taxes imposed that are used to offset the effect of paying personal property taxes into an allocation area special fund during the taxable year under subsection (d) or to make direct payments to taxpayers under section 26.5(h) of this chapter. For purposes of computing the ad valorem property tax levy limits imposed under IC 6-1.1-18.5-3, ~~and IC 6-1.1-19-1.5~~ a taxing unit's ad valorem property tax levy for a particular calendar year does not include that part of the levy imposed to offset the effect of paying personal property taxes into an allocation area special fund under subsection (d) or to make direct payments to taxpayers under section 26.5(h) of this chapter.

(g) Property taxes on personal property that are deposited in the allocation area special fund:

(1) are subject to any pledge of allocated property tax proceeds made by the redevelopment district under section 26(d) of this chapter, including but not limited to any pledge made to owners of outstanding bonds of the redevelopment district of allocated taxes from that area; and

(2) may not be treated as property taxes used to pay interest or



C
o
p
y

principal due on debt under IC 6-1.1-21-2(g)(1)(D).

SECTION 81. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2000]: IC 6-1.1-19-1; IC 6-1.1-19-1.5; IC 6-1.1-19-1.7; IC 6-1.1-19-2; IC 6-1.1-19-4.5; IC 6-1.1-19-4.7; IC 6-1.1-19-4.9; IC 6-1.1-19-5.1; IC 6-1.1-19-6; IC 6-1.1-19-11; IC 6-1.1-34; IC 20-4-1-26.9; IC 20-4-8-23; IC 21-2-11-8; IC 21-2-12; IC 21-2-13; IC 21-2-14.

SECTION 82. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 1999]: IC 21-3-1.7-4; IC 21-3-1.7-5; IC 21-3-1.7-6.3; IC 21-3-1.7-6.6; IC 21-3-1.7-6.7; IC 21-3-1.7-6.8; IC 21-3-1.7-8; IC 21-3-1.7-9.5.

SECTION 83. [EFFECTIVE JULY 1, 1999] (a) As used in this SECTION, "balance" means the unencumbered balance in a school corporation's levy excess fund on January 1, 2000.

(b) The state board of tax commissioners may require a school corporation to include the balance in a school corporation's levy excess fund in the school corporation's budget fixed under IC 6-1.1-17.

(c) Except as provided in subsection (d), a school corporation may not spend money in its levy excess fund until the expenditure of the money is included in a budget that is approved by the state board of tax commissioners under IC 6-1.1-17.

(d) A school corporation may transfer money from its levy excess fund to its other funds to reimburse those funds for amounts withheld from the school corporation as a result of refunds paid under IC 6-1.1-26.

(e) A school corporation may use money in its levy excess fund for a lawful purpose for which money in its other funds may be used.

SECTION 84. [EFFECTIVE JULY 1, 1999] (a) There is appropriated from the state general fund to the state school reserve fund established by IC 21-10-3, as added by this act, one hundred fifty million dollars (\$150,000,000) beginning July 1, 1999, and ending June 30, 2001, to carry out the purposes of the fund.

(b) This SECTION expires July 1, 2001.

SECTION 85. An emergency is declared for this act.

